



CLACKAMAS  
WATER  
ENVIRONMENT  
SERVICES

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
*For the fiscal years ended June 30, 2022 and 2021*

# Water Environment Services

(A Component Unit of Clackamas County, Oregon)





WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

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ANNUAL COMPREHENSIVE FINANCIAL REPORT  
For the fiscal years ended June 30, 2022 and 2021

Prepared by:  
WATER ENVIRONMENT SERVICES  
Financial Management Program

Ron Wierenga, Assistant Director  
Erin Blue, Finance Manager

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

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WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

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# Introductory Section







WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

GOVERNING BODY UNDER ORS 190.010  
BOARD OF COUNTY COMMISSIONERS  
CLACKAMAS COUNTY, OREGON  
Public Services Building  
2051 Kaen Road  
Oregon City, Oregon 97045

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COMMISSIONERS AS OF JUNE 30, 2022

| <u>Name</u>   | <u>Term Expires</u> |
|---|---------------------|
| Tootie Smith, Chair<br>Public Services Building           | December 31, 2024   |
| Sonya Fischer, Commissioner<br>Public Services Building   | December 31, 2022   |
| Paul Savas, Commissioner<br>Public Services Building      | December 31, 2022   |
| Martha Schrader, Commissioner<br>Public Services Building | December 31, 2024   |
| Mark Shull, Commissioner<br>Public Services Building      | December 31, 2024   |

ADMINISTRATIVE OFFICES

Water Environment Services  
Clackamas County, Oregon  
150 Beaver Creek Road  
Oregon City, Oregon 97045

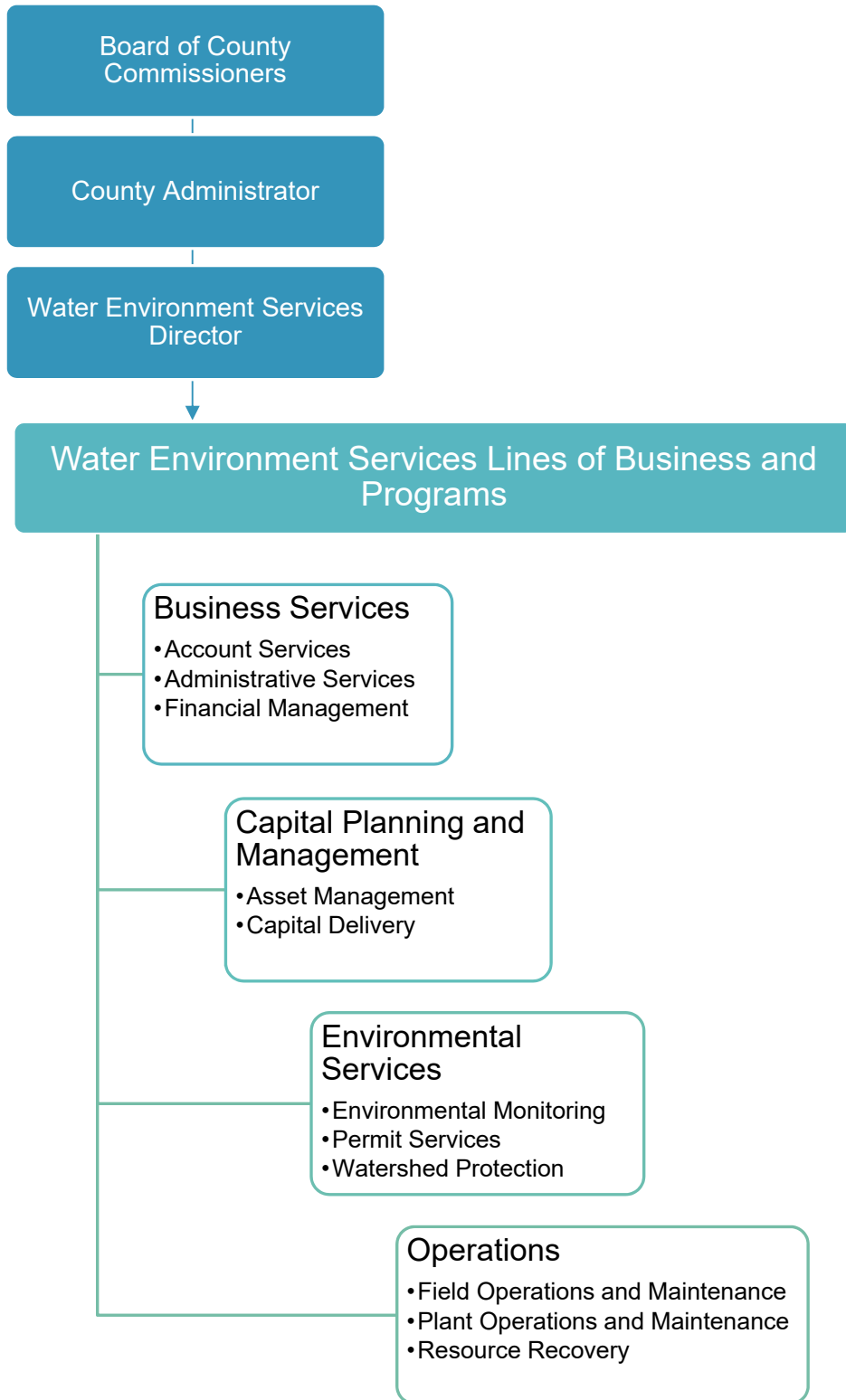
DISTRICT ADMINISTRATOR

Gary Schmidt  
2051 Kaen Road  
Oregon City, Oregon 97045

REGISTERED AGENT

Greg Geist  
150 Beaver Creek Road  
Oregon City, Oregon 97045

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
FY 2022





November 22, 2022

Board of County Commissioners of Clackamas  
County, Oregon, as the Governing Body of  
Water Environment Services  
Oregon City, Oregon

To Clackamas County Board of County Commissioners, Citizens and Customers:

The Annual Comprehensive Financial Report for Water Environment Services, a municipal partnership (WES) (also as a Component Unit of Clackamas County, Oregon) for the year ended June 30, 2022, is submitted herewith. This report was prepared by the Financial Management Program of WES, in accordance with the financial reporting provisions of Oregon Revised Statutes (ORS) Sections 297.405 through 297.555. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with WES. We believe the data is accurate and complete in all material respects; that it is presented in a manner designed to present fairly the financial position, results of operations and cash flows of WES at June 30, 2022, and for the year then ended.

WES' management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of WES are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. WES' MD&A can be found immediately following the Report of Independent Auditors.

Board of County Commissioners of Clackamas  
County, Oregon, as the Governing Body of  
Water Environment Services  
Oregon City, Oregon

Water Environment Services

Water Environment Services is a municipal partnership created in November 2016 through an Oregon Revised Statute (ORS) 190 agreement (the Agreement) between Clackamas County Service District No. 1 (CCSD No. 1) (sewer and surface water management) and the Tri-City Service District (TCSD) (sewer services). The Agreement was amended in May of 2017 to also include the Surface Water Management Agency of Clackamas County (SWMACC) (surface water services). Each of CCSD No. 1, SWMACC and TCSD are separate legal entities organized under the provisions of ORS Chapter 451. This enabling legislation established County service districts as independent municipal corporations authorized to provide a specific service within specified boundaries. These entities decided to jointly partner in the delivery of services to customers by forming WES. On July 1, 2017, the assets and operations of TCSD and SWMACC were transferred into WES; CCSD No. 1 was transferred on July 1, 2018. WES functions as a single, combined entity formed by the three original districts. Prior to fiscal year (FY) 2018, each of these were separate legal entities and therefore audited financial statements were prepared for each. For fiscal year 2019 and moving forward, audited financial statements are being prepared for WES only.

As specified by ORS 451 and the Agreement, the governing body for WES is the Board of County Commissioners of Clackamas County, Oregon, and the County Administrator serves as the Administrator of the partnership. As a separate legal entity, the operations, assets and budgetary authority of WES are maintained separately from those of Clackamas County. However, under the criteria of the Governmental Accounting Standards Board, WES is considered a component unit of Clackamas County, Oregon.

The Agreement and related empowering bylaws establishes an advisory committee to advise WES on decisions regarding capital improvement programs, annual budgets, financial planning, and long-term financing plans for the entire partnership.

WES was formed in order to provide long-term certainty and stability for the sanitary sewer and surface water customers in the three partner service districts.

Relevant Financial Policies

Relevant financial policies are addressed in Note 1 to the financial statements. In the current year no one policy produced a significant impact on the financial statements.

Board of County Commissioners of Clackamas  
County, Oregon, as the Governing Body of  
Water Environment Services  
Oregon City, Oregon

Prospects for the Future

In August of 2016, ECONorthwest updated population growth projections for WES' service area. Growth for 2017 - 2021 was projected to be 2.9% on an annual average. Subsequent growth in our service area was less than these projections. Over the last fiscal year, we started seeing growth closer to the projected growth rate from the population forecast. These forecasts are being used in future capital and financial planning efforts and, given the current economic outlook, WES is in the process of updating the population study and expects to have new projections during the current fiscal year.

WES is also undertaking significant planning exercises that will identify capital, regulatory and growth drivers through at least 2040, with additional analysis through 2070 to ensure we can meet all relevant requirements. In addition, a surface water master plan is underway that will provide at least a 10 year infrastructure plan to meet our water quality and infrastructure needs.

WES is continuing an aggressive wastewater capital construction program to meet growth demand, asset replacement needs and regulatory requirements. The revised and adopted current Capital Improvement Plan for FY 20-25 anticipates approximately \$222 million in capital investment during that five year period. Our ability to achieve that level of investment depends on several factors outside of our control, including growth rates, regional economic factors, supply chain disruptions, adequate personnel, and construction expertise. Insofar as factors are within our control, we anticipate being able to complete the identified projects. These projects will serve growth through 2040.

Independent Audit

The provisions of ORS Sections 297.405 through 297.555, known as "Oregon Municipal Audit Law" require that an independent audit of WES' records be made within six months following the close of the fiscal year. The auditors, whose selection was approved by the Board of County Commissioners at the recommendation of WES management, have completed their audit of WES' financial statements and have included their report in the Financial Section of this report.

GFOA Distinguished Budget Presentation Award

WES received the GFOA's Distinguished Budget Presentation Award for its annual budget for the 2021-22 fiscal year. In order to qualify for the Distinguished Budget Presentation Award, the budget document must meet program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

Board of County Commissioners of Clackamas  
County, Oregon, as the Governing Body of  
Water Environment Services  
Oregon City, Oregon

GFOA Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to WES for its annual comprehensive financial report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate. To that end, we will advise the Board of the results of the GFOA's review of our report.

Acknowledgments

We wish to express our appreciation to the entire WES staff for their efforts and contributions to our annual report. Our appreciation is especially extended to the Finance program of WES, who work diligently year-round to maintain accurate and timely financial records, and demonstrate fiscal responsibility to our customers and stakeholders. This effort is crucial to the success of the organization and the well-being of its ratepayers.

Respectfully submitted,

A handwritten signature in blue ink that reads "Greg Geist". The signature is written in a cursive style with a large initial "G" and a stylized "E".

Greg Geist  
Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Water Environment Services  
Oregon**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

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# Financial Section





## **Report of Independent Auditors**

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Water Environment Services  
Oregon City, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements Water Environment Services (WES), a component unit of Clackamas County, Oregon, which comprise the statement of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise WES's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of WES as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WES's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

***Supplementary Information***

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

***Other Information***

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

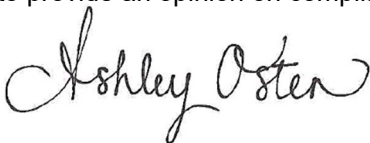
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 on our consideration of WES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WES's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WES's internal control over financial reporting and compliance.

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

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 22, 2022, on our consideration of WES's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Ashley Osten, Partner, for Moss Adams LLP  
Portland, Oregon  
November 22, 2022

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2022**

As management of Water Environment Services ("WES"), we offer readers of our financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements, the Notes to the Basic Financial Statements, and the additional information contained in the Letter of Transmittal. All dollar amounts, unless otherwise indicated, are expressed in thousands.

**Financial Highlights**

- WES' assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (also defined as net position) at the close of the fiscal year (FY) by \$252,395. This amount reflects an increase of \$15,343 or 6.5% from FY 2021 and \$23,470 or 10.3% since FY 2020. For the fiscal year ended June 30, 2022, total net position of \$252,395 includes unrestricted net position of \$66,662 that may be used to meet our ongoing obligations of providing sanitary sewer and surface water services.
- WES' total assets and deferred outflows of resources increased to \$419,670 in FY 2022 from \$411,497 in FY 2021 and \$347,501 in FY 2020. The change from FY 2021 includes an increase in current pooled cash and investments of \$2,727, a decrease in land, easements and construction in progress of \$2,662, a decrease in plant and equipment, net of \$4,241, an increase in noncurrent pooled cash and investments (restricted) of \$3,294, and an increase in advance deposits for capital projects of \$9,257.
- Total liabilities and deferred inflows of resources decreased by \$7,170 to \$167,275 in FY 2022, increased by \$55,869 to \$174,445 in FY 2021 and by \$6,962 to \$118,576 in FY 2020. The decrease in FY 2022 resulted primarily from a decrease of \$4,005 in accounts payable and a decrease in long term debt, net of current portion, payable from restricted assets of \$7,628 which were partially offset by an increase in long term contracts, net of current portion of \$3,351 and an increase in unearned income of \$699.
- Total net position increased \$15,343 due to a \$21,154 increase in the portion restricted for capital projects which was partially offset by a \$6,939 decrease in net investment in capital assets. Total net position increased \$8,127 in FY 2021 from FY 2020.
- Total operating revenues increased by \$731 over FY 2021 and total operating expenses decreased by \$4,406. These combined changes resulted in an increase in operating income of \$5,137. From FY 2020 to FY 2021, total operating revenues increased by \$1,475 and total operating expenses increased by \$1,020.
- In FY 2022 nonoperating expense increased by \$1,005 from FY 2021.

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to WES' basic financial statements. These statements consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows along with the Notes to Basic Financial Statements. Complementing these statements and notes is other Supplementary Information, which provides additional detail about WES' operations.

The Statements of Net Position present information on all of WES' assets, liabilities, and deferred outflows/inflows of resources, with the net difference between these components reported as net position. Over time, changes in net position may serve as a useful indicator of whether WES' financial position is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information related to increases and decreases in total net position. These statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Statements of Cash Flows present cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

The basic financial statements contain information relating to WES' operations and can be found on pages 13 through 17 of this report. Sanitary sewer operations are provided at five water resource recovery facilities located throughout Clackamas County, Oregon: the Kellogg Water Resource Recovery Facility in Milwaukie, the Tri-City Water Resource Recovery Facility in Oregon City, the Hoodland Water Resource Recovery Facility in Brightwood, the Boring Water Resource Recovery Facility in Boring, and the Fischer's Forest Park Water Resource Recovery Facility in Oregon City. These sites serve the cities of Gladstone, Happy Valley, Milwaukie, Oregon City, West Linn, the unincorporated portions of North Clackamas County, and the communities of Boring, the Hoodland corridor and Fischer's Forest Park near Redland. Surface water management services are provided to the unincorporated portions of North Clackamas County and the city of Happy Valley as well as those portions of unincorporated Clackamas County draining into the Tualatin River and the city of Rivergrove.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide statements. The Notes to the Basic Financial Statements can be found on pages 18 through 37 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning WES' budgetary comparisons, beginning on page 38.

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Financial Analysis**

The financial operations of WES are primarily related to wastewater treatment and collection and surface water management services.

As noted earlier, net position may serve over time as a useful indicator of WES' financial position. The following table offers a comparison of assets, liabilities, deferred outflows/inflows of resources, and net position at June 30, 2022, 2021 and 2020:

| <b>Net Position</b>  |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| (In Thousands of Dollars)                                  |                      |                      |                      |
|  | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
| Current assets   | \$ 130,648           | \$ 118,704           | \$ 68,789            |
| Other assets, net  | 3,970                | 4,114                | 2,758                |
| Noncurrent assets - restricted                             | 62,657               | 59,363               | 42,798               |
| Capital assets, net  | <u>222,395</u>       | <u>229,316</u>       | <u>232,612</u>       |
| <b>Total assets</b>  | <u>419,670</u>       | <u>411,497</u>       | <u>346,957</u>       |
| <b>Total deferred outflows of resources</b>                | <u>-</u>             | <u>-</u>             | <u>544</u>           |
| <b>Total assets and deferred outflows of resources</b>     | <u>419,670</u>       | <u>411,497</u>       | <u>347,501</u>       |
| Current liabilities  | 11,759               | 14,905               | 12,173               |
| Noncurrent liabilities                                     | <u>155,263</u>       | <u>159,540</u>       | <u>106,403</u>       |
| <b>Total liabilities</b>                                   | <u>167,022</u>       | <u>174,445</u>       | <u>118,576</u>       |
| <b>Total deferred inflows of resources</b>                 | <u>253</u>           | <u>-</u>             | <u>-</u>             |
| <b>Total liabilities and deferred inflows of resources</b> | <u>167,275</u>       | <u>174,445</u>       | <u>118,576</u>       |
| Net investment in capital assets                           | 105,228              | 112,167              | 122,723              |
| Restricted for capital projects                            | 70,634               | 49,480               | 41,648               |
| Restricted for debt service                                | 9,871                | 9,544                | 906                  |
| Unrestricted   | <u>66,662</u>        | <u>65,861</u>        | <u>63,648</u>        |
| <b>Total net position, end of year</b>                     | <u>\$ 252,395</u>    | <u>\$ 237,052</u>    | <u>\$ 228,925</u>    |



**WATER ENVIRONMENT SERVICES**  
 (A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Financial Analysis (Continued)**

Of WES’ total net position, 41.7% reflects WES’ net investment in capital assets, consisting of treatment facilities, land, conveyance systems, buildings, machinery and equipment, vehicles, construction work in progress and intangible assets, less any related outstanding debt that was used to acquire those assets. These assets are used to provide services to WES’ customers therefore this amount is not available for spending.

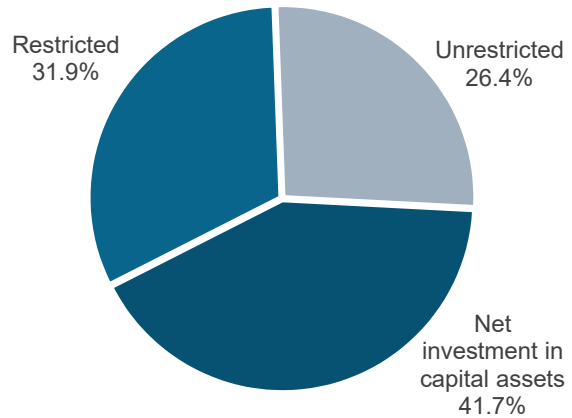
Restricted net position account for 31.9% and represents resources that are subject to external restrictions on how they may be used. This component includes revenue bond proceeds, state loans, advance deposits for capital projects, and system development charges.

The remaining 26.4% of total net position is unrestricted. These items have no external restriction concerning their use or function and may be used to finance day-to-day operations.

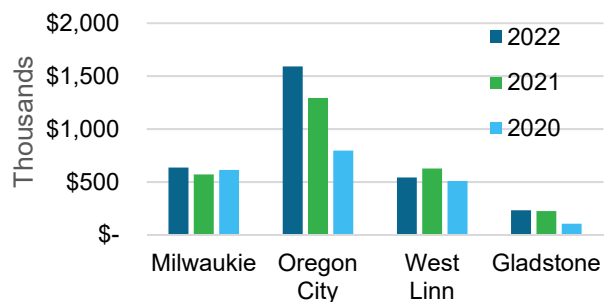
Overall, WES’ net position increased by \$15,343 or 6.5% from the prior year. Pooled cash and investments increased by \$6,594 and restricted pooled cash and investments decreased by \$573 due to expenditures of bond proceeds for capital projects as well as the use of system development charges for eligible debt service payments. Capital assets net decreased by \$6,921. Land, easements and construction in progress decreased by \$2,662 due to the completion of projects during FY 2022 and Plant and equipment, net decreased by \$4,241 due to depreciation of existing assets. Accounts payable decreased by \$4,005 due to the payment of retainage on completed construction contracts. Noncurrent unbonded assessments receivable decreased \$282 due to payoffs. Long term debt, net of current portion, payable from restricted assets decreased by \$7,628.

Current assets increased by \$11,944 primarily as a result of an increase of \$9,257 in advance deposits for capital projects. Accounts receivable decreased by \$377 due to enhanced past due account notification efforts and reduced commercial accounts receivable at June 30, 2022. The decrease was partially offset by an increase in the accounts receivable component connection charges from cities<sup>1</sup>, as shown in the chart here. Please see Note 4 for additional information regarding the components of accounts receivable.

**NET POSITION**



**ACCOUNTS RECEIVABLE  
 MAJOR CUSTOMERS OF WES**



<sup>1</sup> Connection charges include System Development Charges (SDCs)

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Financial Analysis (Continued)**

The condensed statements below offer a comparison of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2022, 2021 and 2020.

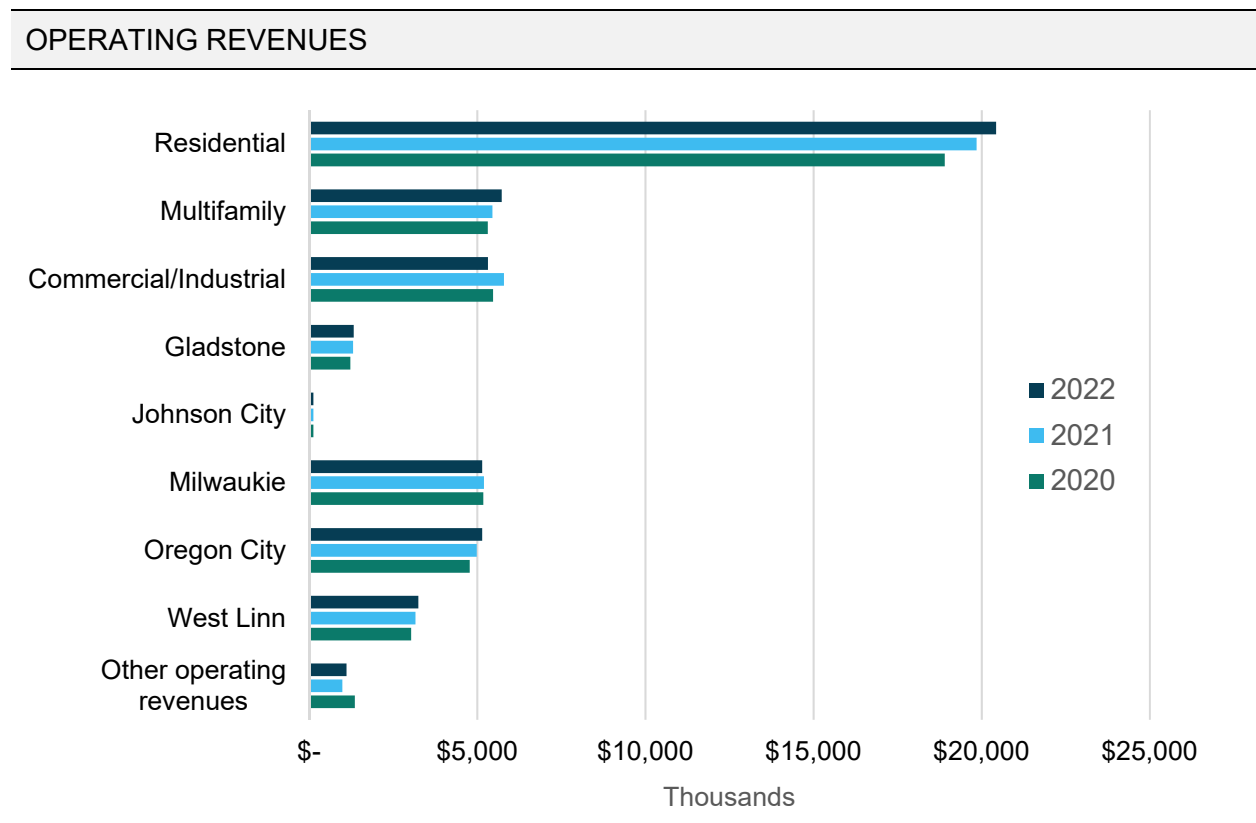
| <b>Changes in Net Position</b>            |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| (In Thousands of Dollars)                 |                   |                   |                   |
|   | 2022              | 2021              | 2020              |
| Sanitary Sewer user charges               | \$ 40,803         | \$ 40,379         | \$ 38,869         |
| Surface Water user charges                | 5,677             | 5,503             | 5,164             |
| Other operating revenues                  | 1,120             | 987               | 1,361             |
| <b>Operating revenues</b>                 | <b>47,600</b>     | <b>46,869</b>     | <b>45,394</b>     |
| Contracted salaries and benefits          | 13,266            | 13,369            | 13,300            |
| Material and services                     | 29,237            | 33,540            | 32,589            |
| <b>Operating expenses</b>                 | <b>42,503</b>     | <b>46,909</b>     | <b>45,889</b>     |
| <b>Operating income (loss)</b>            | <b>5,097</b>      | <b>(40)</b>       | <b>(495)</b>      |
| Interest income                           | 895               | 1,080             | 1,763             |
| Interest expense                          | (3,846)           | (3,324)           | (3,960)           |
| Other                                     | (511)             | (213)             | 45                |
| <b>Nonoperating expense</b>               | <b>(3,462)</b>    | <b>(2,457)</b>    | <b>(2,152)</b>    |
| <b>Income (loss) before contributions</b> | <b>1,635</b>      | <b>(2,497)</b>    | <b>(2,647)</b>    |
| Contributions                             | 13,708            | 10,624            | 17,726            |
| <b>Change in net position</b>             | <b>15,343</b>     | <b>8,127</b>      | <b>15,079</b>     |
| <b>Net position - beginning of year</b>   | <b>237,052</b>    | <b>228,925</b>    | <b>213,846</b>    |
| <b>Net position - end of year</b>         | <b>\$ 252,395</b> | <b>\$ 237,052</b> | <b>\$ 228,925</b> |

**WATER ENVIRONMENT SERVICES**  
 (A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Financial Analysis (Continued)**

Total operating revenues increased \$731 in FY 2022 to \$47,600. Operating revenues in FY 2021 and FY 2020 were \$46,869 and \$45,394, respectively. Revenue from sanitary sewer user charges increased \$424 or 1.1% and revenues from surface water user charges increased \$174 or 3.2%. These increases were due to sanitary sewer and surface water monthly rate increases for FY 2022 that ranged from 0% to 1.53%, depending on the type of service, as well as residential and multifamily growth in the service area. Revenue from commercial and industrial customers decreased in FY 2022 by approximately \$477 thousand or 8.2% due to pandemic-related business closures.

In the chart below, sanitary sewer user charges are reflected in the revenue from the cities, and portions of commercial/industrial customers, multifamily, and residential customers. Surface water charges are reflected as the remaining portions of commercial/industrial customers, multifamily, and residential customers. Other operating revenues consist of permit and plan review fees, right-of-way fees, lien search fees, and other minor revenue items.

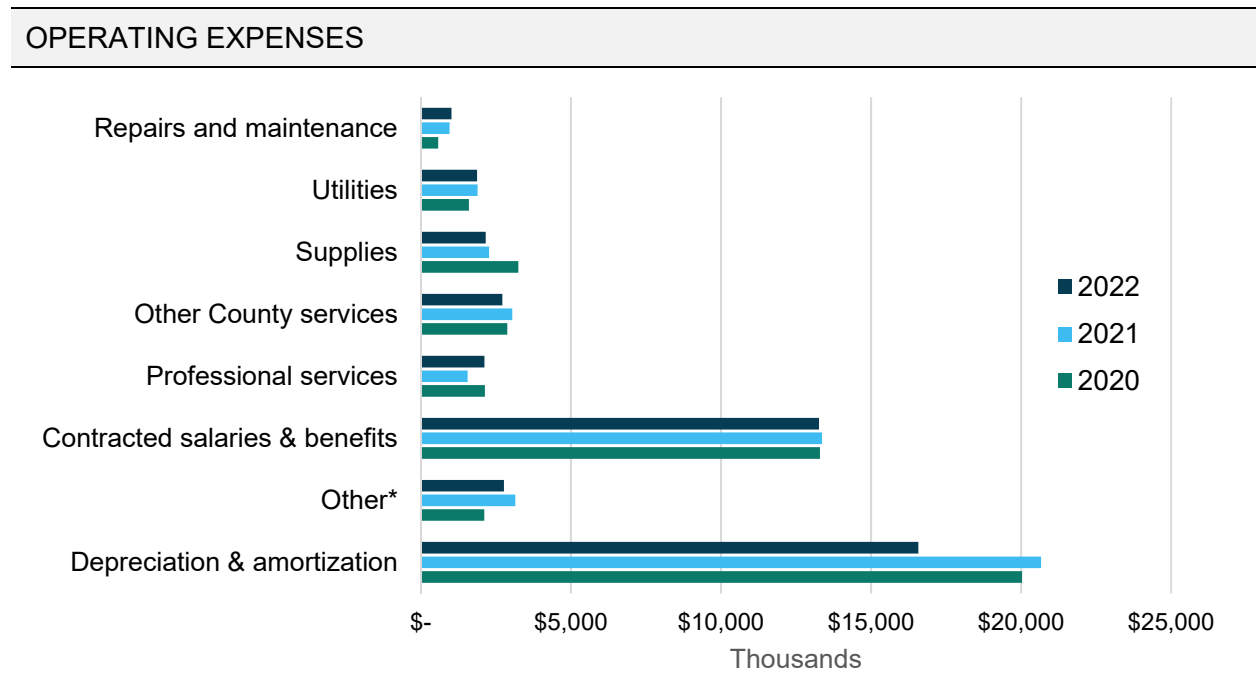


**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Financial Analysis (Continued)**

Total operating expenses decreased \$4,406 or 9.4% in FY 2022, driven by a \$4,089 or 19.8% decrease in depreciation and amortization expense resulting from assets that were fully depreciated the prior fiscal year. See Note 7 for further details. Contracted salaries and benefits decreased by \$104 or 0.8% as a result of vacancies. Professional services increased \$559 or 35.8% due to higher environmental services and utility plant services spending. Other County services decreased \$329 due to transferring an embedded risk personnel position to WES staff as well as WES staff assuming facilities maintenance work that had previously been performed by County staff under an intergovernmental agreement. Operating expenses increased \$1,020 or 2.2% in FY 2021 from FY 2020.

WES adopted a new, countywide chart of accounts effective July 1, 2021; the implementation of the new chart of accounts resulted in object classification consolidation and realignment within the supplies, repairs and maintenance, professional services, and other expense categories. These changes account for the variances between FY 2021 and FY 2020 operating expenses in the chart below.



\*Other includes laboratory services, vehicle expenses, insurance, and other minor expense items.

In nonoperating revenue (expense) accounts, total nonoperating expense increased by \$1,005. Interest expense increased by \$522 due to additional interest expense for debt issued in February 2021 and interest income decreased by \$185.

Contributions, which include system development charges, increased \$3,084 or 29.0% due to increased residential and multifamily development activity.

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Capital Asset and Debt Analysis**

WES' capital assets, net as of June 30, 2022 were \$222,395 and at June 30, 2021, were \$229,316. During FY 2022, WES received \$2.3 million in donated capital assets from developers and placed approximately \$10 million of construction work in progress into service, primarily from the completion of the Tri-City Solids Handling and Kellogg Improvements projects. For FY 2022, Land, easements, and construction in progress decreased \$2,662 and Plant and equipment, net increased \$4,241. Intangible assets, net decreased \$18 due to depreciation. Overall, capital assets, net decreased \$6,921 from FY 2021. From FY 2021 to FY 2020, capital assets, net decreased by \$3,296. Readers interested in more detailed information are referred to Note 7 beginning on page 27 of the Notes to Basic Financial Statements.

Noncurrent liabilities decreased by \$4,277 to \$155,263 as shown in Notes 9 and 10. Long term debt decreased by \$7,628 due to regular payments made on outstanding debt issues and long term contracts increased by \$3,351 due to proceeds received from an Oregon Department of Environmental Quality (DEQ) State Revolving Fund (SRF) Loan used to fund the Tri-City Solids Handling project.

At June 30, 2022, WES has three SRF loans, a refunding issue of revenue obligations which refinanced the majority of three series of revenue obligations as well as one state revolving loan, and an original issue of revenue obligations outstanding.

A portion of WES' revenue bond debt is payable from assessments levied and collected against the benefited property owners first and, if assessment collections and interest earnings are not sufficient, from operating revenues of WES. The balance of the revenue bond and revenue obligation debt and the state revolving loans are payable through operating revenues and connection fees. WES continues to maintain a AAA bond rating with S&P Global Ratings; this rating was originally obtained in May 2018 and was reaffirmed in February 2021.

Readers interested in more detailed information are referred to Notes 9 and 10 beginning on page 29 of the Notes to Basic Financial Statements.

**Rates and Charges**

In August of 2016, ECONorthwest created a population projection for the sanitary sewer portion of WES' service area. Growth within this portion for 2017 through 2021 was projected to be 2.9% on an annual average. Actual service area growth from 2017 through 2020 had not matched projections. While growth in the last two years has been closer to the projections, it is still below the projected rate of 2.9% and budgeting and financial planning presume a lower growth rate. WES is in the process of updating the population study and expects to have new projections by mid-FY 2022-23.

WES received System Development Charge (SDC) revenue for new connections to the system of approximately \$11.4 million in FY 2022, an increase of \$3,068 or 36.9% from FY 2021. These charges are used for capital construction costs related to capacity expansion necessary for growth. SDCs can also assist in retiring existing revenue bond debt. Growth in the sanitary sewer customer base in FY 2022 was 1.6% with approximately 1,367 new connections.

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2022**

**Rates and Charges (Continued)**

The most recent budget adopted for FY 2023 established a retail monthly wastewater treatment and collection rate of \$52.15 per equivalent dwelling unit (EDU). The monthly rate for customers in the city of Happy Valley is \$54.76, which includes the city's Right-of-Way (ROW) fee. The net increase for these customers was approximately 1.78%, after increases in the treatment and collection rate and decreases in the collection for outstanding debt payments. The budget also established a wholesale monthly wastewater treatment rate of \$26.55 for the cities of Johnson City, Milwaukie, and West Linn, an increase of 4.94%. A rate of \$27.90 per EDU was established for the city of Gladstone and a rate of \$28.30 per EDU was established for the city of Oregon City. These differentials in the rate are increases above the base rate charged to all wholesale customers required to raise additional funds to pay the cities of Gladstone and Oregon City their ROW fees. The FY 2023 budget includes a surface water rate increase of \$0.25 from \$4.70 per equivalent service unit (ESU) to \$4.95 per ESU in Rate Zone 3 and an increase of \$0.40 from \$7.75 per ESU to \$8.15 per ESU in Rate Zone 2. Please see WES' budget for a more detailed explanation of its ratemaking approach. WES' rate base allows for sufficient revenues to provide for operating expenses and continues to provide the funding necessary to finance future capital construction.

The three member cities of WES each add a charge to WES' base sanitary sewer service rate to provide for the costs associated with building and maintaining the collection systems operated by each. The cities of Gladstone, Oregon City, and West Linn added an estimated \$33.55, \$34.19, and \$24.03 per month per EDU, respectively, to the WES monthly sewer fee to provide for the costs associated with combined sewer separation and other collection system upgrades.

**Economic Factors and Next Year's Budget**

WES' FY 2022-23 budget totals \$272,832, an increase of 10.1% from FY 2021-22. Revenues are projected to increase as a result of growth in the service area, the rate increases outlined above and a return to pre-pandemic levels of activity for commercial accounts. Increases in inflation and raw material supply chain issues are expected to impact the cost of chemical supplies and utilities although energy savings from new equipment at the Tri-City Water Resource Recovery Facility and reduced professional services spending due to the completion of master planning efforts will partially offset the increased costs. Capital spending to improve existing infrastructure and system capacity continue to be a significant budgetary item as WES implements its Capital Improvement Plan.

**Financial Contact**

Water Environment Services' financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of WES' finances and to demonstrate accountability. If you have questions about the report or need additional financial information, please contact the Finance Manager at 150 Beaver Creek Road, Oregon City, Oregon 97045. WES' telephone number is 503-742-4567. You can also reach us through our web page at [www.clackamas.us/wes](http://www.clackamas.us/wes)

# Basic Financial Statements







WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
STATEMENTS OF NET POSITION  
June 30, 2022 and 2021

|  | 2022          | 2021          |
|--|---------------|---------------|
| <b>ASSETS</b>  |               |               |
| Current assets:  |               |               |
| Pooled cash and investments  | \$ 67,903,200 | \$ 61,309,129 |
| Pooled cash and investments, restricted                              | 44,843,722    | 48,711,213    |
| Unbonded assessments receivable, net                                 | 83,920        | 101,271       |
| Accrued interest receivable on assessments, net                      | 828,914       | 828,359       |
| Accounts receivable  | 7,119,153     | 7,495,701     |
| Interest receivable  | 275,768       | 86,917        |
| Lease receivable   | 90,000        | -             |
| Advance deposits for capital projects                                | 9,257,002     | -             |
| Prepaid expenses   | 246,441       | 171,575       |
| Total current assets   | 130,648,120   | 118,704,165   |
| Noncurrent assets:   |               |               |
| Pooled cash and investments - restricted                             | 62,656,688    | 59,362,842    |
| Right to use leased assets, net                                      | 5,588         | -             |
| Capital assets:  |               |               |
| Land, easements and construction in progress                         | 18,168,004    | 20,829,702    |
| Plant and equipment, net   | 204,188,472   | 208,429,089   |
| Intangible assets, net   | 38,995        | 56,966        |
| Connection charges receivable, noncurrent portion                    | 207,032       | 239,563       |
| Bonded assessments receivable, net                                   | 85,254        | 89,848        |
| Contracts receivable   | 2,000,000     | 2,000,000     |
| Lease receivable, noncurrent portion                                 | 169,292       | -             |
| Unbonded assessments receivable, noncurrent portion                  | 1,502,855     | 1,784,558     |
| Total noncurrent assets  | 289,022,180   | 292,792,568   |
| TOTAL ASSETS   | 419,670,300   | 411,496,733   |
| <b>LIABILITIES</b>   |               |               |
| Current liabilities:   |               |               |
| Accounts payable   | 2,200,010     | 6,204,530     |
| Contract labor payable   | 767,621       | 608,238       |
| Other liabilities  | 266,409       | 279,942       |
| Lease payable  | 4,843         | -             |
| Unearned income  | 710,431       | 11,300        |
| Due to Clackamas County  | 851,132       | 1,142,078     |
| Accrued interest, payable from<br>restricted assets                  | 336,948       | 362,740       |
| Loan payable, current portion  | 106,208       | 106,208       |
| Current portion of long term debt, payable from<br>restricted assets | 6,515,000     | 6,190,000     |
| Total current liabilities  | 11,758,602    | 14,905,036    |

The accompanying notes are an  
integral part of the basic financial statements.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
STATEMENTS OF NET POSITION  
June 30, 2022 and 2021

|  | <u>2022</u>           | <u>2021</u>           |
|--|-----------------------|-----------------------|
| Noncurrent liabilities:  |                       |                       |
| Long term debt, net of current portion, payable from restricted assets | \$ 119,368,961        | \$ 126,996,869        |
| Long term contracts, net of current portion                            | <u>35,894,375</u>     | <u>32,543,127</u>     |
| Total noncurrent liabilities   | <u>155,263,336</u>    | <u>159,539,996</u>    |
| TOTAL LIABILITIES  | <u>167,021,938</u>    | <u>174,445,032</u>    |
| Deferred inflows of resources:   |                       |                       |
| Leases   | <u>253,458</u>        | <u>-</u>              |
| Total deferred inflows of resources                                    | <u>253,458</u>        | <u>-</u>              |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES                    | <u>167,275,396</u>    | <u>174,445,032</u>    |
| NET POSITION   |                       |                       |
| Net investment in capital assets                                       | 105,227,811           | 112,167,501           |
| Restricted for capital projects  | 70,633,556            | 49,479,669            |
| Restricted for debt service  | 9,871,310             | 9,543,698             |
| Unrestricted   | <u>66,662,227</u>     | <u>65,860,833</u>     |
| TOTAL NET POSITION   | <u>\$ 252,394,904</u> | <u>\$ 237,051,701</u> |

The accompanying notes are an integral part of the basic financial statements.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
for the fiscal years ended June 30, 2022 and 2021

|                                    | 2022                  | 2021                  |
|------------------------------------|-----------------------|-----------------------|
| Operating revenues:                |                       |                       |
| Sanitary Sewer user charges        | \$ 40,803,347         | \$ 40,379,418         |
| Surface Water user charges         | 5,676,998             | 5,502,982             |
| Other operating revenues           | 1,120,103             | 987,048               |
| Total operating revenues           | <u>47,600,448</u>     | <u>46,869,448</u>     |
| Operating expenses:                |                       |                       |
| Contracted salaries and benefits   | 13,265,957            | 13,369,676            |
| Professional services              | 2,119,084             | 1,559,926             |
| Laboratory services                | 98,207                | 93,514                |
| Other County services              | 2,717,765             | 3,046,288             |
| Supplies                           | 2,158,686             | 2,275,766             |
| Vehicle expenses                   | 885,459               | 930,344               |
| Repairs and maintenance            | 1,019,710             | 958,052               |
| Utilities                          | 1,876,191             | 1,887,324             |
| Insurance                          | 480,045               | 394,858               |
| Other expense                      | 1,305,430             | 1,729,112             |
| Depreciation and amortization      | 16,576,384            | 20,664,890            |
| Total operating expenses           | <u>42,502,918</u>     | <u>46,909,750</u>     |
| Operating income (loss)            | <u>5,097,530</u>      | <u>(40,302)</u>       |
| Nonoperating revenues (expenses):  |                       |                       |
| Interest income                    | 895,174               | 1,080,151             |
| Interest expense                   | (3,845,895)           | (3,324,067)           |
| Federal and state grants           | 41,796                | 216,180               |
| Dispatchable power                 | 11,300                | 11,300                |
| Loss on disposal of capital assets | (564,227)             | (440,983)             |
| Total nonoperating expenses        | <u>(3,461,852)</u>    | <u>(2,457,419)</u>    |
| Income (loss) before contributions | <u>1,635,678</u>      | <u>(2,497,721)</u>    |
| Contributions:                     |                       |                       |
| Connection charges                 | 11,394,422            | 8,326,178             |
| Capital contributions              | 2,313,103             | 2,298,112             |
| Total contributions                | <u>13,707,525</u>     | <u>10,624,290</u>     |
| Change in net position             | 15,343,203            | 8,126,569             |
| Net position - beginning of year   | <u>237,051,701</u>    | <u>228,925,132</u>    |
| Net position - end of year         | <u>\$ 252,394,904</u> | <u>\$ 237,051,701</u> |

The accompanying notes are an  
integral part of the basic financial statements.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
STATEMENTS OF CASH FLOWS  
for the fiscal years ended June 30, 2022 and 2021

|   | 2022           | 2021           |
|---|----------------|----------------|
| Cash flows from operating activities:                     |                |                |
| Received from customers                                   | \$ 47,455,394  | \$ 45,167,896  |
| Payments to suppliers for goods and services              | (9,886,961)    | (10,389,862)   |
| Payments to related entities for services                 | (16,084,005)   | (16,154,852)   |
| Other operating revenue                                   | 1,126,192      | 1,052,820      |
| Net cash from operating activities                        | 22,610,620     | 19,676,002     |
| Cash flows from noncapital financing activities:          |                |                |
| Federal and state grant revenue                           | 914,771        | 173,504        |
| Net cash from noncapital financing activities             | 914,771        | 173,504        |
| Cash flows from capital and related financing activities: |                |                |
| Bond principal paid                                       | (6,190,000)    | (3,935,000)    |
| Interest paid on bonds and contracts                      | (4,984,577)    | (3,774,312)    |
| Proceeds from bonds                                       | -              | 48,801,286     |
| Proceeds from loans                                       | 3,457,456      | 11,756,443     |
| Assessment and contract principal collected               | 336,179        | 457,642        |
| Interest received on assessments and contracts            | 84,252         | 131,041        |
| Connection charges collected                              | 10,623,352     | 7,862,351      |
| Payments made on note payable                             | (106,208)      | (106,208)      |
| Proceeds from sale of capital assets                      | 40,409         | 262,020        |
| Acquisition of capital assets                             | (21,367,344)   | (16,889,228)   |
| Net cash from capital and related financing activities    | (18,106,481)   | 44,566,035     |
| Cash flows from investing activities:                     |                |                |
| Interest received   | 601,516        | 1,217,078      |
| Net cash from investing activities                        | 601,516        | 1,217,078      |
| Net change in cash and cash equivalents                   | 6,020,426      | 65,632,619     |
| Pooled cash and investments, beginning of year            | 169,383,184    | 103,750,565    |
| Pooled cash and investments, end of year <sup>(1)</sup>   | \$ 175,403,610 | \$ 169,383,184 |

<sup>(1)</sup> Pooled cash and investments are reflected on the Statements of Net Position as follows:

|                                |                |                |
|--------------------------------|----------------|----------------|
| Current assets - unrestricted  | \$ 67,903,200  | \$ 61,309,129  |
| Current assets - restricted    | 44,843,722     | 48,711,213     |
| Noncurrent assets - restricted | 62,656,688     | 59,362,842     |
|                                | \$ 175,403,610 | \$ 169,383,184 |

The accompanying notes are an  
integral part of the basic financial statements.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
STATEMENTS OF CASH FLOWS (Continued)  
for the fiscal years ended June 30, 2022 and 2021

|   | 2022          | 2021          |
|---|---------------|---------------|
| Reconciliation of operating income (loss) to net cash from operating activities:        |               |               |
| Operating income (loss)   | \$ 5,097,530  | \$ (40,302)   |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: |               |               |
| Depreciation and amortization   | 16,576,384    | 20,664,890    |
| Changes in assets and liabilities:  |               |               |
| Decrease (increase) in user charges and other receivables                               | 999,240       | (643,692)     |
| Increase in prepaid expenses  | (74,866)      | (7,895)       |
| Decrease in accounts payable and Due to Clackamas County                                | (138,361)     | (422,574)     |
| Increase in Contract labor payable  | 159,383       | 73,779        |
| Increase (decrease) in other liabilities  | (8,690)       | 51,796        |
| Total adjustments   | 17,513,090    | 19,716,304    |
| Net cash from operating activities  | \$ 22,610,620 | \$ 19,676,002 |
| Noncash capital activity  |               |               |
| Contributions of capital assets from governments, developers and customers              | \$ 2,313,103  | \$ 2,298,112  |

The accompanying notes are an integral part of the basic financial statements.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies**

**Reporting Entity**

Water Environment Services (“WES”) is a municipal partnership created in November 2016 through an Oregon Revised Statute (“ORS”) 190 agreement (the “Agreement”) between Clackamas County Service District No. 1 (“CCSD No. 1”) and the Tri-City Service District (“TCSD”). The Agreement was amended in May of 2017 to also include the Surface Water Agency of Clackamas County (“SWMACC”). On July 1, 2017, the operations of TCSD and SWMACC were transferred into WES. On July 1, 2018, the operations of CCSD No. 1 were transferred in.

WES was formed in order to provide long term certainty and stability for the sanitary sewer and surface water customers in the three partner service districts.

WES has no potential component units. Since Clackamas County, Oregon (“County”) is financially accountable for and significantly influences the operations of WES and the Clackamas County Board of Commissioners also serves as WES’ Board, WES is included as a blended component unit in the Annual Comprehensive Financial Report of Clackamas County, Oregon for the year ended June 30, 2022.

Fiscal and accounting functions are provided by personnel supporting WES, the County Treasurer and the County's Finance Department. WES contracts with the County for their personnel services.

Significant accounting policies used in the preparation of these basic financial statements are described below:

**Basis of Accounting**

WES’ basic financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of the timing of related cash flows. WES maintains seven individual funds for state legal compliance that are combined and reported as a unitary enterprise similar to a commercial entity organized for profit for financial reporting.

The basic financial statements are prepared on the flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources are included in the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

WES distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily sewage treatment and surface water operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Contributions represent connection fees as well as capital assets contributed by governments and developers.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (Continued)**

**Pooled Cash and Investments**

State statutes authorize WES to invest in general obligations of the U.S. Government and in its agencies, certain bonded obligations of Oregon municipalities, certain corporate indebtedness, bank repurchase agreements, bankers' acceptances, certain commercial paper and the State of Oregon Treasurer's Local Government Investment Pool ("LGIP"), among others. As of June 30, 2022, and for the year then ended, WES and the County were in compliance with the aforementioned State of Oregon statutes.

Pooled cash and investments represent WES' equity in pooled accounts maintained by the County Treasurer. Some financial information required by Governmental Accounting Standards Board Statements ("GASB") No. 3, No. 31, No. 40, and No. 72 regarding the accounting and financial reporting for WES' pooled cash and investments, held by the Clackamas County Treasurer, has been disclosed in the County's Annual Comprehensive Financial Reports for the fiscal years ended June 30, 2022 and 2021.

**Assessments Receivable**

Assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. The assessments are generally payable over a period of twenty years at interest rates ranging from 5.0% to 10.18%. WES has determined the collectability of a portion of assessments receivable and accrued interest thereon as doubtful and has established an allowance.

The balance of the allowance at June 30, 2022 is \$516,953 of which \$143,009 is accrued interest. The balance of the allowance at June 30, 2021 was \$526,465 of which \$152,522 was accrued interest. Assessments receivable arise from both bonded and unbonded sources. Bonded assessments were funded through revenue bond sales. Unbonded assessments were funded from WES' operations.

**Accounts Receivable**

Sanitary sewer and surface water user charges, included as accounts receivable in the Statements of Net Position, are due from property owners within WES. An allowance for doubtful accounts is not deemed necessary as uncollectible accounts become a lien on the property.

**Lease Receivable**

Lease receivable are measured at the present value of the lease payments expected to be received during the lease term. A deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**Restricted Assets and Related Liabilities**

Assets, whose use is restricted to specific purposes by state statute or bond indenture, and related liabilities are segregated on the Statements of Net Position.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets are stated at historical cost or, in the case of gifts or projects constructed by others, at acquisition value at the time received. Normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are defined by WES as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Depreciation is computed on assets placed in service using the straight-line method over their estimated useful lives as follows:

|                     |               |
|---------------------|---------------|
| Plant and buildings | 10 - 50 years |
| Collection system   | 10 - 50 years |
| Equipment           | 5 - 20 years  |

**Intangible Assets**

Intangible assets include software and permits. Intangible assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the life of five to ten years. WES periodically reevaluates the estimated useful lives of these assets.

**Right to Use Assets**

WES has recorded a right to use lease asset as a result of implementing GASB 87. Right to use assets are measured at an amount equal to the initial measurement of the related lease liability plus any payments made prior to the lease term and certain ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

**Deferred Outflows / Inflows of Resources**

The Statements of Net Position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time.

The Statements of Net Position will also sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. WES' Statements of Net Position include leases within this category.

**Bonds**

Bond premium costs are amortized over the life of the associated bond issuances.



WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (Continued)**

**Net Position**

Net position comprises the various net earnings from operating and nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following four components: Net investment in capital assets; Restricted for capital projects; Restricted for debt service; and Unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and amortization and reduced by outstanding debt (revenue bonds and other debt obligations) that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital projects and debt service consists of net position on which constraints are placed by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including legal mandates.

The balance in Restricted for capital projects of \$70,633,556 at June 30, 2022 and \$49,479,669 at June 30, 2021, are restricted due to enabling legislation. This balance relates to unspent System Development Charges. Unrestricted net position consists of all other assets not included in the above categories.

WES may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted fund balance in WES' fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is WES' policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

**Use of Estimates**

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

**Reclassifications**

Certain line items in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

**Advance Deposits for Capital Projects and Prepaid Expenses**

Advance deposits for capital projects, which consist of prepayments made under cooperative capital project agreements, are expensed as draws are made on the deposit. Payments to vendors for goods or services that will be received in future periods are recorded as prepaid items and expensed as consumed.

WATER ENVIRONMENT SERVICES  
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (Continued)**

**Adoption of New GASB Pronouncements**

During the fiscal year ended June 30, 2022, the following new GASB pronouncements became effective.

GASB Statement No. 87, *Leases*, Issued June 2017.

GASB Statement No. 92, *Omnibus 2020*, Issued January 2020.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, Issued March 2020.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, Issued June 2020.

In accordance with the requirements of GASB 87, WES' Statements of Net Position include current and noncurrent lease receivables, a deferred inflow of resources, a right to use lease asset, net of accumulated amortization, and a lease liability. WES' Statements of Changes in Net Position include interest expense and amortization related to the right to use lease asset and interest income and other operating revenues related to the lease receivable.

**Future Adoption of GASB Pronouncements**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2022:

GASB Statement No. 91, *Conduit Debt Obligations*, Issued May 2019.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Issued March 2020.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, Issued May 2020.

GASB Statement No. 99, *Omnibus 2022*, Issued April 2022.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, Issued June 2022.

GASB Statement No. 101, *Compensated Absences*, Issued June 2022.

WES will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Management is currently evaluating the above listed new GASB pronouncements and has yet to determine the impact on WES' financial statements.

WATER ENVIRONMENT SERVICES  
 (A Component Unit of Clackamas County, Oregon)  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 JUNE 30, 2022 and 2021

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**2. Stewardship, Compliance, and Accountability**

WES is required by state law to budget its operations on a fund basis. The budget is generally prepared on the accrual basis of accounting under which revenues are recognized at the time they are earned and expenses are recognized when they are incurred, regardless of the timing of the related cash flow. Differences exist between the basis of accounting used for financial reporting and the basis of budgeting. In particular, these differences include: principal payments on long term debt are expended on a budgetary basis but are applied to the outstanding liability on a GAAP basis; capital outlay are treated as expenditures on a budgetary basis but are capitalized on a GAAP basis; debt proceeds are resources on a budgetary basis but are an outstanding liability on a GAAP basis; and depreciation is accrued for GAAP purposes but is not a budgeted expense as it does not require an expenditure of funds.

The resolution authorizing appropriations for WES' funds sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the principal object level - materials and services, interfund transfers, capital outlay, debt service, special payments, reserve, and contingency – which are the levels of control established by the resolution. The budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories.

Management may make transfers of appropriations within object levels. However, transfers of appropriations among object levels require approval by the Board.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The Board, at a regular Board meeting, may adopt a supplemental budget less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publications in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control and require approval by the Board.

During the fiscal year, the Board approved a transfer of appropriations of \$50,000 from contingency to special payments to accommodate additional right-of-way fees associated with growth in WES' service area. Both the original adopted budget and the revised budget comparisons are provided in the accompanying budget schedules. All annual appropriations lapse at fiscal year end.

**3. Pooled Cash and Investments**

At June 30, pooled cash and investments are comprised of the following:

|                             | 2022           | 2021           |
|-----------------------------|----------------|----------------|
| Petty Cash                  | \$ 1,200       | \$ 1,200       |
| Pooled cash and investments | 175,402,410    | 169,381,984    |
|                             | \$ 175,403,610 | \$ 169,383,184 |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**3. Pooled Cash and Investments (Continued)**

Pooled cash and investments are held by the County Treasurer and represent WES' equity in pooled accounts maintained by the County Treasurer. Investments with a remaining maturity of more than one year, at the time of purchase, are stated at fair value, which approximates cost.

Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

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

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

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including WES' own assumptions used in determining the fair value of investments).

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

The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

Reference may be made to the June 30, 2022 and June 30, 2021 Annual Comprehensive Financial Reports of Clackamas County for the classifications of WES' pooled accounts maintained by the County Treasurer.

Cash, and cash equivalents and investments represent WES' equity in pooled accounts maintained by the County Treasurer. State statutes authorize WES to invest in general obligations of the United States (U.S.) Government and in its agencies and instrumentalities, of the U.S. or enterprises sponsored by the U.S. Government and obligations whose payment is guaranteed by the U.S., agencies and instrumentalities of the U.S. or enterprises sponsored by the U.S. Government, certain bonded obligations of Oregon municipalities, certain corporate indebtedness, bank repurchase agreements, bankers' acceptances, certain commercial paper and the State of Oregon Treasurer's Local Government Investment Pool (LGIP), among others. As of June 30, 2022 and 2021, and for the years then ended, WES and the County were in compliance with the aforementioned State of Oregon statutes.

WATER ENVIRONMENT SERVICES  
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**3. Pooled Cash and Investments (Continued)**

Oregon Revised Statutes (ORS) require the public funds depository institution to be a participant in a multiple financial institution collateral pool administered by the Oregon State Treasurer or otherwise adequately collateralized as outlined in ORS 295. Reference should be made to the June 30, 2022 and June 30, 2021 Clackamas County Annual Comprehensive Financial Reports for compliance with these statutes.

PFM Asset Management LLC provides administrative and operational support for the LGIP. The LGIP is an open-ended no-load diversified portfolio. The LGIP is offered to, but are not limited to, any municipality, political subdivision or public corporation of Oregon who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with state funds in the Oregon Short Term Fund (OSTF). In seeking to best serve participants, the Oregon Legislature established the OSTF Board. The OSTF Board advises the Oregon Investment Council and State Treasury in the management and investments of the OSTF. The OSTF is an external investment pool. The OSTF is not registered with the U.S. Securities and Exchange Commission as an investment company. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Investments in the LGIP are stated at fair value, which approximates cost. Fair value in the LGIP is the same as the value of its pool shares. WES' LGIP funds are in WES' name and reference should be made to the June 30, 2022 and June 30, 2021 Clackamas County Annual Comprehensive Financial Reports for disclosures of the risk inherent in the County's portfolio.

**Custodial Credit Risk**

WES is exposed to custodial credit risk because its cash and investments are held by a counterparty in the counterparty's name. This is the risk that in the event of failure of the counterparty, WES' deposits may not be returned. WES' cash and investments are held by Clackamas County in a pool. The pool consists of bank and local government investment pool accounts and federal treasury securities. This pool is subject to general credit claims of the County. WES believes that the risk of County default is slight and outweighed by the advantages of participation in the County cash and investment pool.

WES follows Clackamas County's policies to address custodial credit risk, which mirror parameters for the investment of public funds set forth in the ORS. Reference should be made to the Clackamas County Annual Comprehensive Financial Reports for information about the interest, credit, and custodial credit risks associated with the County's various cash and investments.

**Credit Risk**

WES is exposed to credit risk through the investments made by the Clackamas County Treasurer and the LGIP. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a national statistical rating organization.

WES follows Clackamas County's policies to address credit risk, which mirror parameters for the investment of public funds set forth in the ORS. Reference should be made to the Clackamas County Annual Comprehensive Financial Reports for information about the interest, credit, and custodial credit risks associated with the County's various cash and investments.

WATER ENVIRONMENT SERVICES  
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**3. Pooled Cash and Investments (Continued)**

The State of Oregon LGIP is unrated. Investments with the County Treasurer are invested in US Treasury or US Agencies rated AAA or AA+.

**4. Accounts Receivable**

At June 30, amounts are comprised of the following:

|  | 2022         | 2021         |
|--|--------------|--------------|
| User charges   | \$ 5,516,088 | \$ 6,380,916 |
| Connection charges from cities   | 1,387,408    | 637,810      |
| Current connection charges receivable, including interest of \$60,058 at June 30, 2022 and \$33,439 at June 30, 2021 | 122,486      | 81,014       |
| Intergovernmental agreement and miscellaneous receivables  | 93,171       | 395,961      |
|  | \$ 7,119,153 | \$ 7,495,701 |

**5. Right to Use Leased Asset**

Changes in right to use leased assets for the year ended June 30, 2022 were as follows:

|                                    | Opening Balance<br>July 1, 2021 | Increases | Decreases | Balance<br>June 30, 2022 |
|------------------------------------|---------------------------------|-----------|-----------|--------------------------|
| Right to use assets                |                                 |           |           |                          |
| Leased equipment                   | \$ 17,422                       | \$ -      | \$ -      | \$ 17,422                |
| Total right to use assets          | 17,422                          | -         | -         | 17,422                   |
| Less accumulated amortization for: |                                 |           |           |                          |
| Leased equipment                   | -                               | 11,834    | -         | 11,834                   |
| Total accumulated amortization     | -                               | 11,834    | -         | 11,834                   |
| Right to use assets, net           | \$ 17,422                       | \$ 11,834 | \$ -      | \$ 5,588                 |

**6. Lease Receivable**

On June 2, 2022, WES entered into a 43 month lease as Lessor for the use of 3 Acres at the Tri-City Water Resource Recovery Facility. An initial lease receivable was recorded in the amount of \$259,292. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.527%. As of June 30, 2022, the value of the lease receivable is \$259,292. Under the lease agreement, the lessee is required to make quarterly fixed payments of \$18,000. A deferred inflow is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease. The value of the deferred inflow of resources as of 06/30/2022 was \$253,458. The lessee has 2 extension options, each for 6 months.

In FY 2021-22, WES recognized \$5,834 of lease revenue and \$101 of interest revenue under the lease.

**WATER ENVIRONMENT SERVICES**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2022 and 2021**

**7. Capital Assets**

Changes in capital assets for the year ended June 30, 2022 were as follows:

|  | Balance<br>June 30, 2021 | Reclassification <sup>(1)</sup> | Balance<br>June 30, 2021 | Additions             | Transfers           | Deletions           | Balance<br>June 30, 2022 |
|--|--------------------------|---------------------------------|--------------------------|-----------------------|---------------------|---------------------|--------------------------|
| Capital assets not being depreciated:                            |                          |                                 |                          |                       |                     |                     |                          |
| Land and easements   | \$ 9,696,872             | \$ (4,564)                      | \$ 9,692,308             | \$ -                  | \$ -                | \$ -                | \$ 9,692,308             |
| Construction in progress   | 11,137,393               | -                               | 11,137,393               | 7,963,729             | (10,020,791)        | (604,636)           | 8,475,695                |
| <b>Total capital assets, not being depreciated</b>               | <b>20,834,265</b>        | <b>(4,564)</b>                  | <b>20,829,701</b>        | <b>7,963,729</b>      | <b>(10,020,791)</b> | <b>(604,636)</b>    | <b>18,168,003</b>        |
| Capital assets being depreciated and amortized:                  |                          |                                 |                          |                       |                     |                     |                          |
| Intangibles  | 3,748,666                | -                               | 3,748,666                | -                     | -                   | -                   | 3,748,666                |
| Collection plant   | 204,722,935              | 1,646,512                       | 206,369,447              | 2,313,103             | 1,226,695           | (8,017)             | 209,901,228              |
| Pumping plant  | 32,949,388               | (653,935)                       | 32,295,453               | -                     | 639,832             | (70,958)            | 32,864,327               |
| Treatment plant  | 246,040,664              | (600,561)                       | 245,440,103              | -                     | 6,791,729           | (363,911)           | 251,867,921              |
| General plant  | 33,469,838               | (387,452)                       | 33,082,386               | -                     | 1,362,535           | (340,509)           | 34,104,412               |
| <b>Total capital assets being depreciated and amortized</b>      | <b>520,931,491</b>       | <b>4,564</b>                    | <b>520,936,055</b>       | <b>2,313,103</b>      | <b>10,020,791</b>   | <b>(783,395)</b>    | <b>532,486,554</b>       |
| Less accumulated depreciation and amortization for:              |                          |                                 |                          |                       |                     |                     |                          |
| Intangibles  | (3,691,700)              | -                               | (3,691,700)              | (17,971)              | -                   | -                   | (3,709,671)              |
| Collection plant   | (100,578,211)            | -                               | (100,578,211)            | (6,355,140)           | -                   | 8,017               | (106,925,334)            |
| Pumping plant  | (21,757,539)             | -                               | (21,757,539)             | (1,844,743)           | -                   | 70,958              | (23,531,324)             |
| Treatment plant  | (171,013,494)            | -                               | (171,013,494)            | (6,233,682)           | -                   | 337,996             | (176,909,180)            |
| General plant  | (15,409,055)             | -                               | (15,409,055)             | (2,113,014)           | -                   | 338,492             | (17,183,577)             |
| <b>Total accumulated depreciation and amortization</b>           | <b>(312,449,999)</b>     | <b>-</b>                        | <b>(312,449,999)</b>     | <b>(16,564,550)</b>   | <b>-</b>            | <b>755,463</b>      | <b>(328,259,086)</b>     |
| <b>Total capital assets being depreciated and amortized, net</b> | <b>208,481,492</b>       | <b>4,564</b>                    | <b>208,486,056</b>       | <b>(14,251,447)</b>   | <b>10,020,791</b>   | <b>(27,932)</b>     | <b>204,227,468</b>       |
| <b>Total capital assets, net</b>                                 | <b>\$ 229,315,757</b>    | <b>\$ -</b>                     | <b>\$ 229,315,757</b>    | <b>\$ (6,287,718)</b> | <b>\$ -</b>         | <b>\$ (632,568)</b> | <b>\$ 222,395,471</b>    |

Depreciation and amortization expense for the year ended June 30, 2022 totaled \$16,576,384 including \$16,564,550 for depreciation of capital assets and \$11,834 for amortization of right to use leased assets.

<sup>(1)</sup> Reclassifications of June 30, 2021 capital asset category balances are the result of a new chart of account implementation effective July 1, 2021.

WATER ENVIRONMENT SERVICES  
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**7. Capital Assets (Continued)**

Changes in capital assets for the year ended June 30, 2021 were as follows:

|  | Balance<br>June 30, 2020 | Additions           | Transfers           | Deletions             | Balance<br>June 30, 2021 |
|--|--------------------------|---------------------|---------------------|-----------------------|--------------------------|
| Capital assets not being depreciated:                            |                          |                     |                     |                       |                          |
| Land and easements   | \$ 8,776,606             | \$ -                | \$ 1,584,319        | \$ (664,053)          | \$ 9,696,872             |
| Construction in progress   | 66,576,468               | 17,544,274          | (72,220,810)        | (762,539)             | 11,137,393               |
| <b>Total capital assets, not being depreciated</b>               | <b>75,353,074</b>        | <b>17,544,274</b>   | <b>(70,636,491)</b> | <b>(1,426,592)</b>    | <b>20,834,265</b>        |
| Capital assets being depreciated and amortized:                  |                          |                     |                     |                       |                          |
| Intangibles  | 3,748,666                | -                   | -                   | -                     | 3,748,666                |
| Collection plant   | 197,556,607              | 2,298,112           | 4,901,982           | (33,766)              | 204,722,935              |
| Pumping plant  | 27,659,821               | -                   | 5,319,840           | (30,273)              | 32,949,388               |
| Treatment plant  | 200,922,838              | -                   | 48,378,667          | (3,260,841)           | 246,040,664              |
| General plant  | 22,954,795               | -                   | 12,036,002          | (1,520,959)           | 33,469,838               |
| <b>Total capital assets being depreciated and amortized</b>      | <b>452,842,727</b>       | <b>2,298,112</b>    | <b>70,636,491</b>   | <b>(4,845,839)</b>    | <b>520,931,491</b>       |
| Less accumulated depreciation and amortization for:              |                          |                     |                     |                       |                          |
| Intangibles  | (3,673,703)              | (17,997)            | -                   | -                     | (3,691,700)              |
| Collection plant   | (94,880,309)             | (5,721,705)         | -                   | 23,803                | (100,578,211)            |
| Pumping plant  | (20,202,528)             | (1,585,283)         | -                   | 30,272                | (21,757,539)             |
| Treatment plant  | (161,630,434)            | (12,309,759)        | -                   | 2,926,699             | (171,013,494)            |
| General plant  | (15,196,762)             | (1,030,146)         | -                   | 817,853               | (15,409,055)             |
| <b>Total accumulated depreciation and amortization</b>           | <b>(295,583,736)</b>     | <b>(20,664,890)</b> | <b>-</b>            | <b>3,798,627</b>      | <b>(312,449,999)</b>     |
| <b>Total capital assets being depreciated and amortized, net</b> | <b>157,258,991</b>       | <b>(18,366,778)</b> | <b>70,636,491</b>   | <b>(1,047,212)</b>    | <b>208,481,492</b>       |
| <b>Total capital assets, net</b>                                 | <b>\$ 232,612,065</b>    | <b>\$ (822,504)</b> | <b>\$ -</b>         | <b>\$ (2,473,804)</b> | <b>\$ 229,315,757</b>    |

Depreciation expense for the year ended June 30, 2021 totaled \$20,664,890.



WATER ENVIRONMENT SERVICES  
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**8. Contracts Receivable**

On September 18, 2020, WES entered into a purchase and sale agreement with a private developer which provided for the sale of the majority of the former Blue Heron property with WES retaining a 2.2 acre parcel of the property for future use. In consideration for the Blue Heron property sale, WES received a note for a base purchase price of \$2,000,000 with a maturity date of October 1, 2030. Interest will accrue on the base principal at the rate of 1.0% per annum until the note is fully paid. Per the terms of the note, the final principal amount will be determined by the date of the payment; it may be adjusted to as high as \$8,000,000 subject to development up-zoning or to as low as \$500,000 subject to the buyer incurring excess environmental cleanup costs. As of June 30, 2022, none of the conditions required for the principal to adjust have occurred and the note has been recorded at the base purchase price of \$2,000,000.

**9. Loans Payable**

Amounts represent obligations for state revolving fund loans from the DEQ which were used for the construction of capital assets and are payable in annual and semi-annual installments.

In November of 2011, the American Recovery and Reinvestment Act Loan R06224 that was originally awarded in 2009 was amended. The amount of this loan is \$4,142,142 which financed construction of collector sewers in the North Clackamas Revitalization Area ("NCRA"). These funds are administered by the Oregon DEQ. Of the total amount, \$2,071,071 (50%) is in the form of a loan to be forgiven at the completion of the project. The general terms of the loan forgiveness require timely payments and solvency. Accordingly, \$2,000,000 was reported as capital contributions in 2010, and \$71,071 was reported as capital contributions in 2013. Loan payments are payable in semi-annual installments of principal and interest over 20 years, with a stated interest rate of 0%. Payments commenced in FY 2013-14.

In November 2018, WES entered into a loan agreement with the State of Oregon via DEQ for Clean Water State Revolving Loan R95030 in the amount of \$37,000,000 at 2.14% interest to finance construction of the Tri-City Solids Handling Improvement project. As of June 30, 2022, WES has submitted and received \$34,885,384 in reimbursable expenses. The project was completed in FY 2021-22. Per an amendment to the loan agreement finalized subsequent to June 30, 2022, loan payments, in semi-annual installments of principal and interest over 20 years will commence in FY 2022-23. Please refer to Note 17 Subsequent Events on page 37 for additional information.

In September 2020, WES entered into a loan agreement with the State of Oregon via DEQ for Sponsorship Option Loan R95031 to finance the Three Creeks Floodplain Enhancement project. The total amount of the loan is \$1,450,000 at 1.38% interest, with a promotional interest rate to be calculated upon completion of the project and the Tri-City Solids Handling Improvement project associated with SRF Loan R95030. As of June 30, 2022, no loan disbursements have been received. Loan payments, in semi-annual installments of principal and interest over 20 years will commence following completion of the construction project, which is estimated to occur in December 2024.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**9. Loans Payable (Continued)**

Similar to its' bond covenants for outstanding revenue obligations (see below), WES has irrevocably pledged its net operating revenues towards payment of loans R06224, R95030, and R95031. If the loans are defaulted, by failure to make required principal or interest payments, or failing to conform to any covenants or conditions of this agreement, the State could declare all principal and interest and all other amounts due immediately. It could also set and collect utility rates and charges or direct the State Treasurer to withhold any amounts otherwise due to the borrower from the State of Oregon.

These loans are collateralized by future sewer revenues and contain certain financial covenants. As of June 30, 2022, management believes WES was in compliance with these covenants.

Changes in loans payable for the year ended June 30, 2022 are as follows:

|                       | Interest<br>Rates | Outstanding<br>July 1, 2021 | Increases           | Decreases           | Outstanding<br>June 30, 2022 | Current<br>Portion |
|-----------------------|-------------------|-----------------------------|---------------------|---------------------|------------------------------|--------------------|
| Revolving Loan R06224 | 0.00%             | \$ 1,221,407                | \$ -                | \$ (106,208)        | \$ 1,115,199                 | \$ 106,208         |
| Revolving Loan R95030 | 2.14%             | 31,427,928                  | 3,457,456           | -                   | 34,885,384                   | -                  |
| Revolving Loan R95031 | 1.38%             | -                           | -                   | -                   | -                            | -                  |
|                       |                   | <u>\$ 32,649,335</u>        | <u>\$ 3,457,456</u> | <u>\$ (106,208)</u> | <u>\$ 36,000,583</u>         | <u>\$ 106,208</u>  |

Changes in loans payable for the year ended June 30, 2021 are as follows:

|                       | Interest<br>Rates | Outstanding<br>July 1, 2020 | Increases            | Decreases           | Outstanding<br>June 30, 2021 | Current<br>Portion |
|-----------------------|-------------------|-----------------------------|----------------------|---------------------|------------------------------|--------------------|
| Revolving Loan R06224 | 0.00%             | \$ 1,327,615                | \$ -                 | \$ (106,208)        | \$ 1,221,407                 | \$ 106,208         |
| Revolving Loan R95030 | 2.14%             | 19,671,485                  | 11,756,443           | -                   | 31,427,928                   | -                  |
| Revolving Loan R95031 | 1.38%             | -                           | -                    | -                   | -                            | -                  |
|                       |                   | <u>\$ 20,999,100</u>        | <u>\$ 11,756,443</u> | <u>\$ (106,208)</u> | <u>\$ 32,649,335</u>         | <u>\$ 106,208</u>  |

Future maturities of revolving loans are as follows:

| Fiscal<br>Year | Principal           | Interest    | Admin. Fees      | Total               |
|----------------|---------------------|-------------|------------------|---------------------|
| 2023           | \$ 106,208          | \$ -        | \$ 5,310         | \$ 111,518          |
| 2024           | 106,208             | -           | 4,779            | 110,987             |
| 2025           | 106,208             | -           | 4,248            | 110,456             |
| 2026           | 106,208             | -           | 3,717            | 109,925             |
| 2027           | 106,208             | -           | 3,186            | 109,394             |
| 2028           | 106,208             | -           | 2,655            | 108,863             |
| 2029-2033      | 477,951             | -           | 5,310            | 483,261             |
|                | <u>\$ 1,115,199</u> | <u>\$ -</u> | <u>\$ 29,205</u> | <u>\$ 1,144,404</u> |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**10. Long Term Debt**

Changes in long term debt for the year ended June 30, 2022, are as follows:

|                            | Interest<br>Rates | Outstanding<br>June 30, 2021 | Increases   | Decreases             | Outstanding<br>June 30, 2022 | Current<br>Portion  |
|----------------------------|-------------------|------------------------------|-------------|-----------------------|------------------------------|---------------------|
| Revenue Obligations - 2016 | 2.000% - 5.000%   | 77,080,000                   | -           | (4,125,000)           | 72,955,000                   | 4,345,000           |
| Revenue Obligations - 2021 | 2.000% - 5.000%   | 40,000,000                   | -           | (2,065,000)           | 37,935,000                   | 2,170,000           |
|                            |                   | <u>\$ 117,080,000</u>        | <u>\$ -</u> | <u>\$ (6,190,000)</u> | <u>\$ 110,890,000</u>        | <u>\$ 6,515,000</u> |

Changes in long term debt for the year ended June 30, 2021, are as follows:

|                            | Interest<br>Rates | Outstanding<br>June 30, 2020 | Increases            | Decreases             | Outstanding<br>June 30, 2021 | Current<br>Portion  |
|----------------------------|-------------------|------------------------------|----------------------|-----------------------|------------------------------|---------------------|
| Revenue Obligations - 2010 | 2.000% - 4.625%   | \$ 840,000                   | -                    | \$ (840,000)          | -                            | -                   |
| Revenue Obligations - 2016 | 2.000% - 5.000%   | 80,175,000                   | -                    | (3,095,000)           | 77,080,000                   | 4,125,000           |
| Revenue Obligations - 2021 | 2.000% - 5.000%   | -                            | 40,000,000           | -                     | 40,000,000                   | 2,065,000           |
|                            |                   | <u>\$ 81,015,000</u>         | <u>\$ 40,000,000</u> | <u>\$ (3,935,000)</u> | <u>\$ 117,080,000</u>        | <u>\$ 6,190,000</u> |

Changes in premiums for the year ended June 30, 2022, are as follows:

|                                    | Balance<br>June 30, 2021 | Increases   | Decreases             | Balance<br>June 30, 2022 |
|------------------------------------|--------------------------|-------------|-----------------------|--------------------------|
| Revenue Obligations - 2016 Premium | \$ 7,892,335             | -           | \$ (526,156)          | \$ 7,366,179             |
| Revenue Obligations - 2021 Premium | 8,214,534                | -           | (586,752)             | 7,627,782                |
|                                    | <u>\$ 16,106,869</u>     | <u>\$ -</u> | <u>\$ (1,112,908)</u> | <u>\$ 14,993,961</u>     |

Changes in premiums for the year ended June 30, 2021, are as follows:

|                                    | Balance<br>June 30, 2020 | Increases           | Decreases             | Balance<br>June 30, 2021 |
|------------------------------------|--------------------------|---------------------|-----------------------|--------------------------|
| Revenue Obligations - 2016 Premium | \$ 8,418,491             | -                   | \$ (526,156)          | \$ 7,892,335             |
| Revenue Obligations - 2021 Premium | -                        | 8,801,286           | (586,752)             | 8,214,534                |
|                                    | <u>\$ 8,418,491</u>      | <u>\$ 8,801,286</u> | <u>\$ (1,112,908)</u> | <u>\$ 16,106,869</u>     |

WES' revenue bond Master Declaration of Covenants, which provides terms and conditions for all current pari passu debt, contains a provision that in the event of default, outstanding amounts may become immediately due and/or bondholders may require rates to be increased and/or revenues directed to debt repayment and away from operating or capital expenses.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**10. Long Term Debt (Continued)**

Current and future maturities at June 30 are summarized as follows:

|                                 | <u>2022</u>           | <u>2021</u>           |
|---------------------------------|-----------------------|-----------------------|
| Current maturities - face value | \$ 6,515,000          | \$ 6,190,000          |
|                                 | <u>\$ 6,515,000</u>   | <u>\$ 6,190,000</u>   |
| Future maturities - face value  | \$ 104,375,000        | \$ 110,890,000        |
| Premium                         | 14,993,961            | 16,106,869            |
|                                 | <u>\$ 119,368,961</u> | <u>\$ 126,996,869</u> |

**Revenue Obligations 2009A, 2009B, 2010, 2016, and 2021**

Revenue obligations are payable from monthly sewer fees collected from customers connected to and benefited by the system. The original amount of the 2009A issuance was \$38,460,000, the 2009B issuance was \$44,365,000 and the 2010 issuance was \$23,710,000. These issuances were all used to finance capital improvements for the Phase 1 Capacity Expansion Project. The 2009A issuance was paid in full at June 30, 2019. The 2009B issuance was paid in full at June 30, 2020 and the 2010 issuance was paid in full at June 30, 2021.

In August of 2016, revenue obligation series 2016 were issued in the amount of \$83,250,000 with an all-in interest rate of 2.2%. The proceeds were used to advance refund \$77,070,000 of outstanding 2009A, 2009B, and 2010 revenue obligations and to pay off outstanding Oregon DEQ Clean Water State Revolving Fund Loan R22403, which had interest rates ranging from 2.77% to 4.7%. The net proceeds of \$85,876,532 (including a \$10,523,115 premium and after payment of \$1,519,115 in underwriting fees and other issuance costs and the payoff of Loan R22403 in the amount of \$6,377,468) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, portions of the 2009A, 2009B, and 2010 are considered defeased and the liability for those bonds has been removed from the statements of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$8,826,731. This amount was reported in the statements of net position as a deferred outflow of resources and amortized over the remaining life of the refunded debt in accordance with GASB 65. At June 30, 2022 the balance was \$0. The advance refunding of portions of the 2009A, 2009B, and 2010 bonds and refinancing of Loan R22403 was done to reduce total annual debt service payments by approximately \$625,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$9.7 million. The refinancing also released approximately \$7.6 million in reserves that was used for capital projects.

In February of 2021, revenue obligations series 2021 were issued in the amount of \$40,000,000 with coupon interest rates ranging from 2.0% to 5.0%. The net proceeds of \$48,687,948 (including a \$8,801,286 premium and after payment of \$113,338 in underwriting fees and other issuance costs) will be used to finance capital projects and fund a debt service reserve for the obligations to realize a true interest cost of 0.84%.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**10. Long Term Debt (Continued)**

**Revenue Obligations 2009A, 2009B, 2010, 2016, and 2021 (Continued)**

Maturities of 2016 bond principal at June 30, 2022 are as follows:

| Fiscal<br>Year | Principal            | Interest             |
|----------------|----------------------|----------------------|
| 2023           | \$ 4,345,000         | \$ 2,424,006         |
| 2024           | 4,705,000            | 2,197,757            |
| 2025           | 4,945,000            | 1,956,506            |
| 2026           | 5,200,000            | 1,702,881            |
| 2027           | 5,470,000            | 1,436,132            |
| 2028-2032      | 30,255,000           | 4,268,578            |
| 2033-2036      | 18,035,000           | 728,288              |
|                | <u>\$ 72,955,000</u> | <u>\$ 14,714,148</u> |

Maturities of 2021 bond principal at June 30, 2022 are as follows:

| Fiscal<br>Year | Principal            | Interest            |
|----------------|----------------------|---------------------|
| 2023           | \$ 2,170,000         | \$ 1,510,750        |
| 2024           | 2,280,000            | 1,402,250           |
| 2025           | 2,395,000            | 1,288,250           |
| 2026           | 2,515,000            | 1,168,500           |
| 2027           | 2,640,000            | 1,042,750           |
| 2028-2032      | 15,315,000           | 3,097,250           |
| 2033-2036      | 10,620,000           | 427,600             |
|                | <u>\$ 37,935,000</u> | <u>\$ 9,937,350</u> |

Under the revenue obligation agreements, WES has agreed to covenants that it will charge user rates and fees in connection with the operation of the sewer system, which are adequate to cover annual debt service as required by the bond agreements and a minimum of an additional twenty percent (20%) collected. WES has also agreed to maintain restricted reserve accounts to provide for the payment of debt service in the event that pledged revenues are not sufficient to pay debt service when due. Management believes WES was in compliance with these covenants during the year ended June 30, 2022.

At June 30, 2022, future pledged revenues are as follows:

| Purpose                          | Revenue Stream    | For the Year<br>Ending June 30,<br>of Final Payments | Future Pledged<br>Revenue Debt<br>Outstanding | For the Year Ended<br>June 30, 2022<br>Revenue <sup>(1)</sup> | For the Year Ended<br>June 30, 2022 Debt<br>(P&I) Payments |
|----------------------------------|-------------------|--|---|---|--|
| State Loan R06224                | Sewer Assessments | 2033   | \$ 1,115,199                                  | \$ 33,963,510   | \$ 112,050   |
| State Loan R95030 <sup>(2)</sup> | Sewer Fees        |  | -   | -   | 728,979  |
| Revenue Obligations 2016         | Sewer Fees        | 2036   | 72,955,000                                    | -   | 6,760,756  |
| Revenue Obligations 2021         | Sewer Fees        | 2035   | 37,935,000                                    | -   | 3,679,000  |
| Total                            |                   |  | <u>\$ 12,005,199</u>                          | <u>\$ 33,963,510</u>  | <u>\$ 11,280,785</u>                                       |

(1) Same net revenue source pledged for multiple purposes. Total Gross Revenues of \$59,890,044 less Total Operating Expenses of \$25,926,534.

(2) State Loan R95030 Debt Payments for FY 2021-22 reflect a prepayment of interest only. Future Pledged Revenue Debt Outstanding is not shown for this loan as the final loan amount and payment schedule were finalized subsequent to June 30, 2022. Please see Subsequent Event Note.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**11. Lease Payable**

On July 1, 2021, WES entered into a 17 month lease as Lessee for the use of a mobile office trailer at the Tri-City Water Resource Recovery Facility. An initial lease liability was recorded in the amount of \$16,453. As of June 30, 2022, the value of the lease liability is \$4,843. WES is required to make monthly fixed payments of \$969. The lease has an interest rate of 0.1650%. As a result of the lease, WES has recorded a right to use asset which is discussed in more detail in the Right to Use Leased Asset note. WES had a termination period of 1 month as of the lease commencement. Future lease obligations as of June 30, 2022 are as follows:

| Fiscal<br>Year | Principal       | Interest    | Total           |
|----------------|-----------------|-------------|-----------------|
| 2023           | \$ 4,841        | \$ 2        | \$ 4,843        |
|                | <u>\$ 4,841</u> | <u>\$ 2</u> | <u>\$ 4,843</u> |

**12. Commitments**

WES has agreements with the cities of Gladstone, Oregon City, and West Linn. Pertinent terms of these agreements are as follows:

- The Cities will process and review all permit applications for hookup and inspection; operate and maintain local collection facilities; bill and collect sewer user charges and connection charges.
- The Cities will collect and remit a contractual percentage of connection charges to WES.
- The Cities will bill and collect sewer user charges bimonthly according to the rate schedule provided by WES.
- Should WES fail to perform services outlined in these agreements, the Cities can terminate the agreement upon 30 days written notice.

WES has agreements with the cities of Johnson City and Milwaukie to provide wholesale sanitary sewer service according to a 25 year wholesale service agreement codified in FY 2012-13.

In accordance with the terms of these agreements, the following fees and charges were earned by WES during the years ended June 30:

|                                  | 2022                 | 2021                 |
|----------------------------------|----------------------|----------------------|
| Sanitary Sewer user charges      | \$ 14,999,551        | \$ 14,784,587        |
| Connection charges               | 3,337,344            | 1,652,210            |
| Pump station maintenance charges | 4,243                | 1,605                |
|                                  | <u>\$ 18,341,138</u> | <u>\$ 16,438,402</u> |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**12. Commitments (Continued)**

During FY 2019-20, WES entered into a “Good Neighbor” agreement with the cities of Gladstone and Oregon City to fund neighborhood enhancement projects relating to the hosting of the Tri-City Water Resource Recovery Facility (WRRF) in their communities. Total costs related to this agreement for FY 2021-22 were \$250,000. Total costs for FY 2020-21 were the same.

In December 2020, WES entered into an agreement with the city of Gladstone to partner on collection system improvement projects for the benefit of both parties. Under the terms of the agreement, WES manages the projects and invoices the City quarterly for expenses related to work performed in the City. The estimated full cost of work reimbursable by the City for this project over the approximately 3 year agreement term is \$461,822. During FY 2021-22 and FY 2020-21, WES invoiced the City for reimbursable project expenses of \$61,776 and \$247,533, respectively.

WES has an agreement with the city of Happy Valley related to development review, planning, and surface water services.

In January 2022, WES entered into a “Regional Inflow and Infiltration Reduction” agreement with the city of Johnson City. The cities of Gladstone, Happy Valley, Milwaukie, and Oregon City joined the agreement in March, 2022. Under the terms of the agreement, WES will reimburse the cities thirty-three percent of approved joint project costs for Inflow and Infiltration (I&I) reduction projects in the collection systems owned and maintained by WES’ partner cities. I&I reduction in the cities’ collection systems will allow WES to build less wet-weather treatment capacity at the plants and thereby realize substantial future cost savings. Total costs related to this agreement in FY 2021-22 were \$0.

In November 2021, WES entered a Cooperative Improvement (Utility) Agreement with Oregon Department of Transportation (ODOT) for construction of a new sewer force main in conjunction with ODOT’s expansion of the Abernathy bridge in Oregon City. Per the terms of the agreement, during FY 2021-22, WES made an advance deposit of the estimated project costs of \$9.26 million for ODOT to draw against as construction progresses over the project timeline. ODOT will construct the new sewer force main at the appropriate time in sequence with other bridge improvements. For the year ended June 30, 2022, no draws were made against the deposit.

WES is committed under contractual agreements for various multi-year contracts related to capital acquisition and service agreements. The total contract costs are approximately \$100.8 million. As of June 30, 2022, approximately \$21.1 million of these contracts remain outstanding.

**13. Related Party Transactions**

The Clackamas County Board of Commissioners serves as the Board of Directors for the following related parties:

- Clackamas County
- Clackamas County Development Agency
- Clackamas County Enhanced Law Enforcement District
- Clackamas County Extension and 4-H Service District
- Clackamas County Service District No. 5
- Housing Authority of Clackamas County
- Library District of Clackamas County
- North Clackamas Parks and Recreation District

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

**13. Related Party Transactions (Continued)**

During FYs 2021-22 and 2020-21, fiscal and accounting functions, service of certain assets, and certain repairs and maintenance on plant and equipment were performed by personnel of various Clackamas County departments, including Department of Transportation and Development, North Clackamas Parks and Recreation District, and County Treasurer. Operating expenses in the Statements of Revenues, Expenses, and Changes in Net Position for 2022 and 2021, charged by the above departments, totaled approximately \$15,983,723 and \$16,415,964 respectively.

At June 30, related party balances consist of:

|                        | Receivable       |                   | Payable             |                     |
|------------------------|------------------|-------------------|---------------------|---------------------|
|                        | 2022             | 2021              | 2022                | 2021                |
| Clackamas County *     | \$ 63,456        | \$ 251,592        | \$ 851,131          | \$ 1,164,920        |
| Clackamas County -     |                  |                   |                     |                     |
| Contract labor payable | -                | -                 | 767,621             | 608,238             |
| Subtotal               | <u>63,456</u>    | <u>251,592</u>    | <u>1,618,752</u>    | <u>1,773,158</u>    |
| Total                  | <u>\$ 63,456</u> | <u>\$ 251,592</u> | <u>\$ 1,618,752</u> | <u>\$ 1,773,158</u> |

\*From the Statements of Net Position, the related party receivable for Clackamas County reflects a subset of the Accounts Receivable balance; the related party payable for Clackamas County reflects the combined balance between the Due to Clackamas County and a subset of the Accounts Payable balance.

**14. Litigation**

WES has various claims and pending legal proceedings outstanding. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by WES. In the opinion of management, the ultimate disposition of such proceedings is not expected to have a material adverse effect.

**15. Risk Management**

WES is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; and bodily injury for which WES carries commercial insurance. An IGA between WES and Clackamas County clarifies that for workers' compensation and employment practice liability issues, WES participates in the County's risk management pool. All employees of WES are contracted from the County. WES makes payments to the County's self-insurance internal service funds based on historical cost information, estimates of the amounts needed to pay prior year and current year claims, claim reserves, premiums and administrative costs of the program. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

**16. Pollution Remediation**

An agreement with the DEQ entered into on June 2, 2000 requires WES to perform certain, specific pollution remediation measures on property owned by WES adjacent to the TCWRRF which had been used for municipal refuse. The agreement does not have a specific date by which these remediation efforts must be completed. Rather, these measures are to be taken at a time in the future if WES decides to expand the TCWRRF property to provide additional treatment capacity.



WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2022 and 2021

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**17. Subsequent Events**

In August 2022, WES received a final reimbursement of \$2,114,616 in project costs for the Tri-City Solids Handling Improvement project under Clean Water State Revolving Fund Loan Agreement No. R95030. In October 2022, WES signed an amendment to the loan agreement which finalized the loan amount to match the total \$37 million disbursed for the project, reduced the interest rate from 2.14% to a promotional rate of 1.0%, finalized the loan repayment schedule, and finalized a loan reserve requirement in the amount of \$695,854. As a result of the amendment, the first loan payment of \$1,131,585, including principal of \$861,585 and interest and fees of \$270,000, will be made on March 1, 2023.

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# Supplementary Information





WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
DESCRIPTION OF BUDGETARY FUNDS

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**Basis of Accounting**

For financial reporting and operating purposes, management considers WES' activities those of a unitary enterprise operation and, as such, those activities are reported in a single enterprise fund in the preceding section of this report. However, for budgetary and legal purposes those activities are accounted for in the funds described below. Schedules for these funds, prepared on a budgetary basis, generally on the accrual basis of accounting, are shown on the following pages.

**Fund Descriptions**

**Sanitary Sewer Operating Fund**

The Sanitary Sewer Operating Fund accounts for all operating and maintenance expenses for day-to-day sanitary sewer operations. The primary resources are sanitary sewer user charges.

**Sanitary Sewer System Development Charge Fund**

The Sanitary Sewer System Development Charge (SDC) Fund accounts for sanitary sewer capital expenditures related to growth or increased capacity. The primary resources are connection charges.

**Debt Service Fund**

In FY 2020-21 and prior, this fund was defined as the State Loan Debt Service Fund. On June 30, 2021, the resources of the Revenue Bond Debt Service Fund were transferred to this fund and the fund was renamed the Debt Service Fund. The Debt Service Fund accounts for redemption of revenue bonds and interest thereon as well as payment of the Department of Environmental Quality loans. The primary resources are transfers of user charges and system development charges from other funds.

**Revenue Bond Debt Service Fund**

This fund was closed on June 30, 2021 and the remaining resources transferred to the Debt Service Fund. FY 2020-21 actuals data is included in this section for reference. In prior years, the Revenue Bond Fund accounted for redemption of revenue bonds and interest thereon. The primary resources were user charges transferred from other funds. These activities are now accounted for under the Debt Service Fund.

**Sanitary Sewer Construction Fund**

The Sanitary Sewer Construction Fund accounts for non-SDC sanitary sewer capital expenditures. The primary resources are transfers from the Sanitary Sewer Operating Fund and interest earnings.

**Surface Water Operating Fund**

The Surface Water Operating Fund accounts for all surface water operating and maintenance activities of WES. The primary resources are surface water user charges.

**Surface Water System Development Charge Fund**

The Surface Water System Development Charge Fund accounts for surface water capital expenditures related to growth or increased capacity. The primary resources are connection charges.

**Surface Water Construction Fund**

The Surface Water Construction Fund accounts for non-SDC surface water capital expenditures. The primary resources are transfers from the Surface Water Operating Fund and interest earnings.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
SANITARY SEWER OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|   | 2022                |                     |                       |                               |                      |
|---|---------------------|---------------------|-----------------------|-------------------------------|----------------------|
|   | Original<br>Budget  | Final<br>Budget     | Actual                | Variance with<br>Final Budget | 2021<br>Actual       |
| <b>REVENUES:</b>  |                     |                     |                       |                               |                      |
| Sanitary Sewer user charges                                 | \$ 41,247,900       | \$ 41,247,900       | \$ 41,139,216         | \$ (108,684)                  | \$ 40,684,257        |
| Interest on investments                                     | 75,900              | 75,900              | 63,297                | (12,603)                      | 325,086              |
| System development charges                                  | 5,000               | 5,000               | 18,403                | 13,403                        | 7,497                |
| Special connection charges                                  | 250,000             | 250,000             | 120,234               | (129,766)                     | 224,461              |
| Special assessment collections                              | 10,000              | 10,000              | 18,022                | 8,022                         | 72,334               |
| Operating grants  | -                   | -                   | 752,227               | 752,227                       | 216,180              |
| Miscellaneous   | 211,970             | 211,970             | 551,770               | 339,800                       | 710,654              |
| <b>Total revenues</b>                                       | <b>41,800,770</b>   | <b>41,800,770</b>   | <b>42,663,169</b>     | <b>862,399</b>                | <b>42,240,469</b>    |
| <b>EXPENDITURES:</b>  |                     |                     |                       |                               |                      |
| Materials and services                                      | 23,675,889          | 23,675,889          | 20,127,160            | 3,548,729                     | 21,988,431           |
| Special Payments  | 1,106,600           | 1,156,600           | 1,112,774             | 43,826                        | -                    |
| Contingency   | 3,946,000           | 3,896,000           | -                     | 3,896,000                     | -                    |
| <b>Total expenditures</b>                                   | <b>28,728,489</b>   | <b>28,728,489</b>   | <b>21,239,934</b>     | <b>7,488,555</b>              | <b>21,988,431</b>    |
| <b>Revenues over (under) expenditures</b>                   | <b>13,072,281</b>   | <b>13,072,281</b>   | <b>21,423,235</b>     | <b>8,350,954</b>              | <b>20,252,038</b>    |
| <b>OTHER FINANCING USES:</b>                                |                     |                     |                       |                               |                      |
| Transfers to other funds:                                   | (19,860,656)        | (19,860,656)        | (19,512,971)          | 347,685                       | (18,268,056)         |
| <b>Total transferred to other funds</b>                     | <b>(19,860,656)</b> | <b>(19,860,656)</b> | <b>(19,512,971)</b>   | <b>347,685</b>                | <b>(18,268,056)</b>  |
| <b>Net change in fund balance</b>                           | <b>(6,788,375)</b>  | <b>(6,788,375)</b>  | <b>1,910,264</b>      | <b>8,698,639</b>              | <b>1,983,982</b>     |
| Fund balance - beginning                                    | 7,986,018           | 7,986,018           | 11,447,693            | 3,461,675                     | 9,463,711            |
| Fund balance - ending                                       | <u>\$ 1,197,643</u> | <u>\$ 1,197,643</u> | 13,357,957            | <u>\$ 12,160,314</u>          | <u>\$ 11,447,693</u> |
| <b>Adjustment to GAAP basis:</b>                            |                     |                     |                       |                               |                      |
| Mortgage connection receivable                              |                     |                     | 234,790               |                               |                      |
| Capital assets (net of accumulated depreciation)            |                     |                     | 197,266,952           |                               |                      |
| Right to use leased asset (net of accumulated amortization) |                     |                     | 5,588                 |                               |                      |
| Prepaid expenses  |                     |                     | 17,280                |                               |                      |
| Lease receivable  |                     |                     | 259,292               |                               |                      |
| Interest receivable   |                     |                     | 60,968                |                               |                      |
| Due to other entities                                       |                     |                     | (266,409)             |                               |                      |
| Assessments receivable                                      |                     |                     | 388,358               |                               |                      |
| Contracts receivable  |                     |                     | 2,122,487             |                               |                      |
| Lease payable   |                     |                     | (4,843)               |                               |                      |
| Unearned income   |                     |                     | (710,431)             |                               |                      |
| Unavailable revenue - lease receivable                      |                     |                     | (253,459)             |                               |                      |
| <b>Net position - GAAP basis</b>                            |                     |                     | <u>\$ 212,478,530</u> |                               |                      |

\*Transfers to Debt Service Fund for FY 2021 Actual represent combined transfers to the State Loan and Revenue Bond Funds.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
SANITARY SEWER SYSTEM DEVELOPMENT CHARGE FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|                                    | 2022                            |                      |                               | 2021<br>Actual       |
|------------------------------------|---------------------------------|----------------------|-------------------------------|----------------------|
|                                    | Original<br>And Final<br>Budget | Actual               | Variance with<br>Final Budget |                      |
| <b>REVENUES:</b>                   |                                 |                      |                               |                      |
| Connection charges                 | \$ 6,375,600                    | \$ 11,135,878        | \$ 4,760,278                  | \$ 7,933,978         |
| Interest on investments            | 431,100                         | 153,138              | (277,962)                     | 374,483              |
| Total revenues                     | <u>6,806,700</u>                | <u>11,289,016</u>    | <u>4,482,316</u>              | <u>8,308,461</u>     |
| <b>EXPENDITURES:</b>               |                                 |                      |                               |                      |
| Capital Outlay                     | 1,254,000                       | 413,790              | 840,210                       | 317,350              |
| Contingency                        | 627,000                         | -                    | 627,000                       | -                    |
| Total expenditures                 | <u>1,881,000</u>                | <u>413,790</u>       | <u>1,467,210</u>              | <u>317,350</u>       |
| Revenues over (under) expenditures | <u>4,925,700</u>                | <u>10,875,226</u>    | <u>5,949,526</u>              | <u>7,991,111</u>     |
| <b>OTHER FINANCING USES:</b>       |                                 |                      |                               |                      |
| Transfers to other funds:          |                                 |                      |                               |                      |
| Debt Service Fund                  | (8,694,881)                     | (7,279,779)          | 1,415,102                     | -                    |
| Net change in fund balance         | <u>(3,769,181)</u>              | <u>3,595,447</u>     | <u>7,364,628</u>              | <u>7,991,111</u>     |
| Fund balance - beginning           | 45,383,561                      | 47,620,241           | 2,236,680                     | 39,629,130           |
| Fund balance - ending              | <u>\$ 41,614,380</u>            | 51,215,688           | <u>\$ 9,601,308</u>           | <u>\$ 47,620,241</u> |
| <b>Adjustment to GAAP basis:</b>   |                                 |                      |                               |                      |
| Interest receivable                |                                 | <u>28,594</u>        |                               |                      |
| Net position - GAAP basis          |                                 | <u>\$ 51,244,282</u> |                               |                      |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
DEBT SERVICE FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|   | 2022                            |                                |                               | 2021<br>Actual      |
|---|---------------------------------|--------------------------------|-------------------------------|---------------------|
|   | Original<br>And Final<br>Budget | Actual                         | Variance with<br>Final Budget |                     |
| <b>REVENUES:</b>                          |                                 |                                |                               |                     |
| Assessments collected                     | \$ 100,000                      | \$ 290,005                     | \$ 190,005                    | \$ 375,744          |
| Interest on assessments                   | 105,000                         | 97,119                         | (7,881)                       | 96,122              |
| Interest on investments                   | 94,800                          | 31,336                         | (63,464)                      | 11,951              |
| <b>Total revenues</b>                     | <b>299,800</b>                  | <b>418,460</b>                 | <b>118,660</b>                | <b>483,817</b>      |
| <b>EXPENDITURES:</b>                      |                                 |                                |                               |                     |
| Principal                                 | 7,843,422                       | 6,296,208                      | 1,547,214                     | 106,208             |
| Interest                                  | 5,324,165                       | 4,984,577                      | 339,588                       | 506,373             |
| <b>Total expenditures</b>                 | <b>13,167,587</b>               | <b>11,280,785</b>              | <b>1,886,802</b>              | <b>612,581</b>      |
| <b>Revenues over (under) expenditures</b> | <b>(12,867,787)</b>             | <b>(10,862,325)</b>            | <b>2,005,462</b>              | <b>(128,764)</b>    |
| <b>OTHER FINANCING SOURCES:</b>           |                                 |                                |                               |                     |
| Transfers from other funds:               |                                 |                                |                               |                     |
| Sanitary Sewer Operating Fund             | 4,360,656                       | 3,888,956                      | (471,700)                     | 500,000             |
| Sanitary Sewer SDC Fund                   | 8,694,881                       | 7,279,779                      | (1,415,102)                   | 8,801,286           |
| <b>Total transferred from other funds</b> | <b>13,055,537</b>               | <b>11,168,735</b>              | <b>(1,886,802)</b>            | <b>9,301,286</b>    |
| <b>OTHER FINANCING USES:</b>              |                                 |                                |                               |                     |
| Transfers to other funds:                 |                                 |                                |                               |                     |
| Revenue Bond Fund                         | -                               | -                              | -                             | (14,937)            |
| <b>Net change in fund balance</b>         | <b>187,750</b>                  | <b>306,410</b>                 | <b>118,660</b>                | <b>9,157,585</b>    |
| Fund balance - beginning                  | 9,977,103                       | 9,989,707                      | 12,604                        | 832,122             |
| Fund balance - ending                     | <u>\$ 10,164,853</u>            | 10,296,117                     | <u>\$ 131,264</u>             | <u>\$ 9,989,707</u> |
| <b>Adjustment to GAAP basis:</b>          |                                 |                                |                               |                     |
| Loans payable                             |                                 | (36,000,583)                   |                               |                     |
| Bonds payable                             |                                 | (110,890,000)                  |                               |                     |
| Capitalized bond premium                  |                                 | (14,993,961)                   |                               |                     |
| Assessments receivable                    |                                 | 1,596,319                      |                               |                     |
| Interest receivable                       |                                 | 434,265                        |                               |                     |
| Interest payable                          |                                 | (336,948)                      |                               |                     |
| <b>Net position - GAAP basis</b>          |                                 | <u><u>\$ (149,894,791)</u></u> |                               |                     |



WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
REVENUE BOND DEBT SERVICE FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|                                    | 2022                            |        |                               |                |
|------------------------------------|---------------------------------|--------|-------------------------------|----------------|
|                                    | Original<br>And Final<br>Budget | Actual | Variance with<br>Final Budget | 2021<br>Actual |
| <b>REVENUES:</b>                   |                                 |        |                               |                |
| Interest collections               | \$ -                            | \$ -   | \$ -                          | \$ 19,600      |
| Interest on investments            | -                               | -      | -                             | 2,887          |
| Total revenues                     | -                               | -      | -                             | 22,487         |
| <b>EXPENDITURES:</b>               |                                 |        |                               |                |
| Principal                          | -                               | -      | -                             | 3,935,000      |
| Interest                           | -                               | -      | -                             | 3,267,940      |
| Total expenditures                 | -                               | -      | -                             | 7,202,940      |
| Revenues over (under) expenditures | -                               | -      | -                             | (7,180,453)    |
| <b>OTHER FINANCING SOURCES:</b>    |                                 |        |                               |                |
| Transfer from other funds:         |                                 |        |                               |                |
| Sanitary Sewer Operating Fund      | -                               | -      | -                             | 6,768,056      |
| State Loan Debt Service Fund       | -                               | -      | -                             | 14,937         |
| Total transferred from other funds | -                               | -      | -                             | 6,782,993      |
| Net change in fund balance         | -                               | -      | -                             | (397,460)      |
| Fund balance - beginning           | -                               | -      | -                             | 397,460        |
| Fund balance - ending              | \$ -                            | -      | \$ -                          | \$ -           |
| Adjustment to GAAP basis:          |                                 |        |                               |                |
| None applicable                    |                                 | -      |                               |                |
| Net position - GAAP basis          |                                 | \$ -   |                               |                |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
SANITARY SEWER CONSTRUCTION FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|  | 2022                            |                      |                               | 2021<br>Actual       |
|--|---------------------------------|----------------------|-------------------------------|----------------------|
|  | Original<br>And Final<br>Budget | Actual               | Variance with<br>Final Budget |                      |
| <b>REVENUES:</b>                         |                                 |                      |                               |                      |
| Interest on investments                  | \$ 776,800                      | \$ 285,563           | \$ (491,237)                  | \$ 361,001           |
| Miscellaneous                            | -                               | -                    | -                             | 25,356               |
| Total revenues                           | <u>776,800</u>                  | <u>285,563</u>       | <u>(491,237)</u>              | <u>386,357</u>       |
| <b>EXPENDITURES:</b>                     |                                 |                      |                               |                      |
| Capital Outlay                           | 22,877,000                      | 6,794,004            | 16,082,996                    | 16,161,614           |
| Contingency                              | 11,438,500                      | -                    | 11,438,500                    | -                    |
| Total expenditures                       | <u>34,315,500</u>               | <u>6,794,004</u>     | <u>27,521,496</u>             | <u>16,161,614</u>    |
| Revenues over (under) expenditures       | <u>(33,538,700)</u>             | <u>(6,508,441)</u>   | <u>27,030,259</u>             | <u>(15,775,257)</u>  |
| <b>OTHER FINANCING SOURCES:</b>          |                                 |                      |                               |                      |
| Revenue from bonds and other debts:      |                                 |                      |                               |                      |
| SRF Capital Project Contribution         | 500,000                         | 3,457,456            | 2,957,456                     | 11,756,443           |
| Bond Proceeds                            | -                               | -                    | -                             | 48,687,948           |
| Total revenue from bonds and other debts | <u>500,000</u>                  | <u>3,457,456</u>     | <u>2,957,456</u>              | <u>60,444,391</u>    |
| Transfer from other funds:               |                                 |                      |                               |                      |
| Sanitary Sewer Operating Fund            | 15,500,000                      | 15,500,000           | -                             | 11,000,000           |
| <b>OTHER FINANCING USES:</b>             |                                 |                      |                               |                      |
| Transfers to other funds:                |                                 |                      |                               |                      |
| Debt Service Fund                        | -                               | -                    | -                             | (8,801,286)          |
| Net change in fund balance               | <u>(17,538,700)</u>             | <u>12,449,015</u>    | <u>29,987,715</u>             | <u>46,867,848</u>    |
| Fund balance - beginning                 | <u>81,771,998</u>               | <u>84,947,827</u>    | <u>3,175,829</u>              | <u>38,079,979</u>    |
| Fund balance - ending                    | <u>\$ 64,233,298</u>            | <u>97,396,842</u>    | <u>\$ 33,163,544</u>          | <u>\$ 84,947,827</u> |
| Adjustment to GAAP basis:                |                                 |                      |                               |                      |
| Interest receivable                      |                                 | <u>171,420</u>       |                               |                      |
| Net position - GAAP basis                |                                 | <u>\$ 97,568,262</u> |                               |                      |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
SURFACE WATER OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|  | 2022                            |                      |                               |                     |
|--|---------------------------------|----------------------|-------------------------------|---------------------|
|  | Original<br>And Final<br>Budget | Actual               | Variance with<br>Final Budget | 2021<br>Actual      |
| <b>REVENUES:</b>                                 |                                 |                      |                               |                     |
| Surface water user charges                       | \$ 5,716,300                    | \$ 5,676,998         | \$ (39,302)                   | \$ 5,502,982        |
| Interest on investments                          | 62,500                          | 23,342               | (39,158)                      | 76,584              |
| Miscellaneous income                             | 157,500                         | 278,658              | 121,158                       | 227,034             |
|  | <u>5,936,300</u>                | <u>5,978,998</u>     | <u>42,698</u>                 | <u>5,806,600</u>    |
| <b>EXPENDITURES:</b>                             |                                 |                      |                               |                     |
| Materials and services                           | 6,211,141                       | 4,694,975            | 1,516,166                     | 4,436,257           |
| Contingency                                      | 1,035,000                       | -                    | 1,035,000                     | -                   |
|  | <u>7,246,141</u>                | <u>4,694,975</u>     | <u>2,551,166</u>              | <u>4,436,257</u>    |
| Revenues over (under) expenditures               | <u>(1,309,841)</u>              | <u>1,284,023</u>     | <u>2,593,864</u>              | <u>1,370,343</u>    |
| <b>OTHER FINANCING SOURCES:</b>                  |                                 |                      |                               |                     |
| Transfers from other funds:                      |                                 |                      |                               |                     |
| Sanitary Sewer Operating Fund                    | -                               | 124,015              | 124,015                       | -                   |
| <b>OTHER FINANCING USES:</b>                     |                                 |                      |                               |                     |
| Transfers to other funds:                        |                                 |                      |                               |                     |
| Surface Water Construction Fund                  | (3,000,000)                     | (3,000,000)          | -                             | (3,000,000)         |
| Net change in fund balance                       | <u>(4,309,841)</u>              | <u>(1,591,962)</u>   | <u>2,717,879</u>              | <u>(1,629,657)</u>  |
| Fund balance - beginning                         | 6,582,369                       | 6,868,364            | 285,995                       | 8,498,021           |
| Fund balance - ending                            | <u>\$ 2,272,528</u>             | <u>5,276,402</u>     | <u>\$ 3,003,874</u>           | <u>\$ 6,868,364</u> |
| Adjustment to GAAP basis:                        |                                 |                      |                               |                     |
| Capital assets (net of accumulated depreciation) |                                 | 25,128,519           |                               |                     |
| Interest receivable                              |                                 | 2,832                |                               |                     |
| Net position - GAAP basis                        |                                 | <u>\$ 30,407,753</u> |                               |                     |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
SURFACE WATER SYSTEM DEVELOPMENT CHARGE FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|                                    | 2022                            |              |                               |                |
|------------------------------------|---------------------------------|--------------|-------------------------------|----------------|
|                                    | Original<br>And Final<br>Budget | Actual       | Variance with<br>Final Budget | 2021<br>Actual |
| REVENUES:                          |                                 |              |                               |                |
| System development charges         | \$ 120,000                      | \$ 138,311   | \$ 18,311                     | \$ 167,739     |
| Interest on investments            | 23,300                          | 7,867        | (15,433)                      | 20,880         |
| Total revenues                     | 143,300                         | 146,178      | 2,878                         | 188,619        |
| EXPENDITURES:                      |                                 |              |                               |                |
| Total expenditures                 | -                               | -            | -                             | -              |
| Revenues over (under) expenditures | 143,300                         | 146,178      | 2,878                         | 188,619        |
| Net change in fund balance         | 143,300                         | 146,178      | 2,878                         | 188,619        |
| Fund balance - beginning           | 2,453,629                       | 2,473,973    | 20,344                        | 2,285,354      |
| Fund balance - ending              | \$ 2,596,929                    | 2,620,151    | \$ 23,222                     | \$ 2,473,973   |
| Adjustment to GAAP basis:          |                                 |              |                               |                |
| Interest receivable                |                                 | 1,504        |                               |                |
| Net position - GAAP basis          |                                 | \$ 2,621,655 |                               |                |

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)  
SURFACE WATER CONSTRUCTION FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

|                                    | 2022                            |              |                               |                |
|------------------------------------|---------------------------------|--------------|-------------------------------|----------------|
|                                    | Original<br>And Final<br>Budget | Actual       | Variance with<br>Final Budget | 2021<br>Actual |
| REVENUES:                          |                                 |              |                               |                |
| Interest on investments            | \$ 53,900                       | \$ 16,973    | \$ (36,927)                   | \$ 28,590      |
| Total revenues                     | 53,900                          | 16,973       | (36,927)                      | 28,590         |
| EXPENDITURES:                      |                                 |              |                               |                |
| Capital outlay                     | 1,092,000                       | 755,936      | 336,064                       | 720,126        |
| Contingency                        | 273,000                         | -            | 273,000                       | -              |
| Total expenditures                 | 1,365,000                       | 755,936      | 609,064                       | 720,126        |
| Revenues over (under) expenditures | (1,311,100)                     | (738,963)    | 572,137                       | (691,536)      |
| OTHER FINANCING SOURCES:           |                                 |              |                               |                |
| Transfer from other funds:         |                                 |              |                               |                |
| Surface Water Operating Fund       | 3,000,000                       | 3,000,000    | -                             | 3,000,000      |
| Net change in fund balance         | 1,688,900                       | 2,261,037    | 572,137                       | 2,308,464      |
| Fund balance - beginning           | 5,677,421                       | 5,703,585    | 26,164                        | 3,395,121      |
| Fund balance - ending              | \$ 7,366,321                    | 7,964,622    | \$ 598,301                    | \$ 5,703,585   |
| Adjustment to GAAP basis:          |                                 |              |                               |                |
| Interest receivable                |                                 | 4,591        |                               |                |
| Net position - GAAP basis          |                                 | \$ 7,969,213 |                               |                |

WATER ENVIRONMENT SERVICES  
 (A Component Unit of Clackamas County, Oregon)  
 SUMMARY OF NET POSITION  
 BY FUND  
 for the year ended June 30, 2022

---

| Fund | Description                                   | Net Position<br>GAAP Basis |
|------|---|----------------------------|
| 631  | Sanitary Sewer Operating Fund                 | \$ 212,478,530             |
| 632  | Sanitary Sewer System Development Charge Fund | 51,244,282                 |
| 635  | Debt Service Fund                             | (149,894,791)              |
| 639  | Sanitary Sewer Construction Fund              | 97,568,262                 |
| 641  | Surface Water Operating Fund                  | 30,407,753                 |
| 642  | Surface Water System Development Charge Fund  | 2,621,655                  |
| 649  | Surface Water Construction Fund               | 7,969,213                  |
|      | Total Net Position                            | \$ 252,394,904             |

# Statistical Section







# STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

WES was formed on November 16, 2016 with no activity prior to July 1, 2017. As such, data for years prior to 2018 is not available for WES. Reference may be made to the prior fiscal year financial reports for WES' member districts, the Tri-City Service District and Clackamas County Service District No. 1, for comparison with FY's 2022 through FY 2018 statistics.

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These schedules present information to help the reader assess the affordability of WES' current levels of outstanding debt and WES' ability to issue additional debt in the future. WES does not have any indebtedness subject to the legal debt limitation in accordance with Oregon Revised Statutes 451.545; consequently, the schedule of the computation of legal debt margin is not included in the statistical section.

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Source: The information in these schedules derive from the Annual Comprehensive Financial Reports for the relevant year, unless otherwise noted.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

NET POSITION BY COMPONENT  
Last Ten Fiscal Years

| Fiscal Year<br>Ended<br>June 30, | Net Investment<br>in Capital Assets | Restricted    | Unrestricted  | Total<br>Net Position |
|----------------------------------|-------------------------------------|---------------|---------------|-----------------------|
| 2022                             | \$ 105,227,811                      | \$ 80,504,866 | \$ 66,662,227 | \$ 252,394,904        |
| 2021                             | 112,167,501                         | 59,023,367    | 65,860,833    | 237,051,701           |
| 2020                             | 122,723,333                         | 42,554,081    | 63,647,718    | 228,925,132           |
| 2019                             | 109,060,156                         | 34,282,157    | 70,503,282    | 213,845,595           |
| 2018                             | 35,210,690                          | 2,971,058     | 14,308,920    | 52,490,668            |

Source: WES' Annual Comprehensive Financial Report

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

CHANGES IN NET POSITION  
Last Ten Fiscal Years

|   | 2022                 | 2021 <sup>(1)</sup> | 2020                 | 2019                  | 2018                |
|---|----------------------|---------------------|----------------------|-----------------------|---------------------|
| <b>Operating revenues:</b>                          |                      |                     |                      |                       |                     |
| Sanitary Sewer user charges                         | \$ 40,803,347        | \$ 40,379,418       | \$ 38,869,238        | \$ 36,790,480         | \$ 8,542,389        |
| Surface Water user charges                          | 5,676,998            | 5,502,982           | 5,163,571            | 4,910,321             | 185,646             |
| Intergovernmental revenues                          | -                    | -                   | -                    | -                     | 375,145             |
| Other operating revenues                            | 1,120,103            | 987,048             | 1,361,246            | 1,007,099             | 285,617             |
| Total operating revenues                            | <u>47,600,448</u>    | <u>46,869,448</u>   | <u>45,394,055</u>    | <u>42,707,900</u>     | <u>9,388,797</u>    |
| <b>Operating expenses:</b>                          |                      |                     |                      |                       |                     |
| Contracted salaries and benefits                    | 13,265,957           | 13,369,676          | 13,300,131           | 12,337,188            | 2,639,533           |
| Professional services                               | 2,119,084            | 1,559,926           | 2,135,318            | 1,181,977             | 408,852             |
| Laboratory services                                 | 98,207               | 93,514              | 65,272               | 31,724                | 247,851             |
| Other County services                               | 2,717,765            | 3,046,288           | 2,879,695            | 2,897,557             | 606,616             |
| Supplies  | 2,158,686            | 2,275,766           | 3,248,542            | 2,904,075             | 1,488,169           |
| Vehicle expenses                                    | 885,459              | 930,344             | 791,322              | 815,631               | 181,037             |
| Repairs and maintenance                             | 1,019,710            | 958,052             | 579,479              | 960,286               | 88,552              |
| Utilities   | 1,876,191            | 1,887,324           | 1,602,852            | 1,767,914             | 685,523             |
| Insurance   | 480,045              | 394,858             | 439,037              | 404,918               | 163,480             |
| Other expenses                                      | 1,305,430            | 1,729,112           | 815,143              | 849,742               | 173,503             |
| Depreciation and amortization                       | 16,576,384           | 20,664,890          | 20,031,956           | 20,082,869            | 2,571,997           |
| Total operating expenses                            | <u>42,502,918</u>    | <u>46,909,750</u>   | <u>45,888,747</u>    | <u>44,233,881</u>     | <u>9,255,113</u>    |
| Operating income (loss)                             | <u>5,097,530</u>     | <u>(40,302)</u>     | <u>(494,692)</u>     | <u>(1,525,981)</u>    | <u>133,684</u>      |
| <b>Nonoperating revenues (expenses):</b>            |                      |                     |                      |                       |                     |
| Interest income                                     | 895,174              | 1,080,151           | 1,762,557            | 1,806,268             | 189,261             |
| Interest expense                                    | (3,845,895)          | (3,324,067)         | (3,960,237)          | (4,896,003)           | -                   |
| Federal and state grants                            | 41,796               | 216,180             | 173,504              | -                     | -                   |
| Dispatchable power                                  | 11,300               | 11,300              | 69,100               | 69,100                | -                   |
| Loss on disposal of capital assets                  | (564,227)            | (440,983)           | (197,017)            | (45,338)              | (4,761)             |
| Total nonoperating revenue (expense)                | <u>(3,461,852)</u>   | <u>(2,457,419)</u>  | <u>(2,152,093)</u>   | <u>(3,065,973)</u>    | <u>184,500</u>      |
| Income (loss) before contributions and special item | <u>1,635,678</u>     | <u>(2,497,721)</u>  | <u>(2,646,785)</u>   | <u>(4,591,954)</u>    | <u>318,184</u>      |
| <b>Contributions:</b>                               |                      |                     |                      |                       |                     |
| Connection charges                                  | 11,394,422           | 8,326,178           | 10,520,618           | 5,346,829             | 827,629             |
| Capital contributions                               | 2,313,103            | 2,298,112           | 7,205,704            | 5,034,881             | 145,208             |
| Total contributions                                 | <u>13,707,525</u>    | <u>10,624,290</u>   | <u>17,726,322</u>    | <u>10,381,710</u>     | <u>972,837</u>      |
| <b>Special item:</b>                                |                      |                     |                      |                       |                     |
| Gain on transfer of operations                      | -                    | -                   | -                    | 155,565,171           | -                   |
| <b>Change in net position</b>                       | <u>\$ 15,343,203</u> | <u>\$ 8,126,569</u> | <u>\$ 15,079,537</u> | <u>\$ 161,354,927</u> | <u>\$ 1,291,021</u> |

<sup>(1)</sup> In FY 2021-22, the FY 2020-21 operating expenses presentation has been revised for new chart of accounts classifications.

Source: WES' Annual Comprehensive Financial Report

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

USER FEE REVENUE BY CUSTOMER TYPE  
Last Ten Fiscal Years

|  | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          | <u>2018</u>         |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| <b>Sanitary Sewer user charges</b>       |                      |                      |                      |                      |                     |
| Cities                                   | \$ 14,999,551        | \$ 14,784,587        | \$ 14,346,181        | \$ 13,801,878        | \$ 8,308,939        |
| Residential                              | 12,987,330           | 12,771,561           | 12,194,781           | 11,400,628           | 196,864             |
| Commercial                               | 3,071,685            | 3,472,927            | 3,427,806            | 3,312,205            | 28,522              |
| Industrial                               | 1,475,608            | 1,389,421            | 1,134,271            | 884,807              | -                   |
| Other                                    | <u>8,269,173</u>     | <u>7,960,922</u>     | <u>7,766,199</u>     | <u>7,390,962</u>     | <u>8,064</u>        |
| <b>Total Sanitary Sewer user charges</b> | <u>\$ 40,803,347</u> | <u>\$ 40,379,418</u> | <u>\$ 38,869,238</u> | <u>\$ 36,790,480</u> | <u>\$ 8,542,389</u> |
| <b>Surface Water user charges</b>        |                      |                      |                      |                      |                     |
| Residential                              | \$ 2,064,970         | \$ 2,007,986         | \$ 1,826,448         | \$ 1,713,821         | \$ 148,106          |
| Commercial                               | 3,232,796            | 3,131,932            | 2,987,651            | 2,854,696            | -                   |
| Other                                    | <u>379,232</u>       | <u>363,064</u>       | <u>349,472</u>       | <u>341,804</u>       | <u>37,540</u>       |
| <b>Total Surface Water user charges</b>  | <u>\$ 5,676,998</u>  | <u>\$ 5,502,982</u>  | <u>\$ 5,163,571</u>  | <u>\$ 4,910,321</u>  | <u>\$ 185,646</u>   |

Source: WES' Records

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

MONTHLY SEWER AND SURFACE WATER RATES  
Last Ten Fiscal Years

|   | 2022     | 2021     | 2020     | 2019     | 2018     |
|---|----------|----------|----------|----------|----------|
| <b>Sewer Rates per EDU <sup>(1)</sup></b>         |          |          |          |          |          |
| Residential Customers                             |          |          |          |          |          |
| Rate Zone 1                                       | \$ 38.80 | \$ 38.25 | \$ 36.40 | \$ 33.25 | \$ 32.00 |
| Rate Zone 2                                       | 51.45    | 51.25    | 50.55    | 48.15    | -        |
| Wholesale Customers                               |          |          |          |          |          |
| Rate Zone 1                                       | \$ 25.30 | \$ 24.95 | \$ 23.75 | \$ 23.00 | \$ 22.15 |
| Rate Zone 2                                       | 37.95    | 37.95    | 37.90    | 36.10    | -        |
| <b>Surface Water Rates per ESU <sup>(2)</sup></b> |          |          |          |          |          |
| Rate Zone 2                                       | \$ 7.75  | \$ 7.65  | \$ 7.30  | \$ 6.95  | \$ -     |
| Rate Zone 3                                       | 4.70     | 4.65     | 4.45     | 4.25     | 4.10     |

<sup>(1)</sup> EDU - Equivalent Dwelling Unit; Residential Sanitary Sewer EDU's equal one dwelling unit; commercial Sanitary Sewer EDU's equal 1 EDU per each 1,000 cubic feet or fraction thereof per month of metered water consumption.

<sup>(2)</sup> ESU - Equivalent Service Unit; One Surface Water ESU is equal to 2,500 square feet of impervious surface area with the minimum user charge set at 1 ESU.

Source: WES' Records

**WATER ENVIRONMENT SERVICES**  
(A Component Unit of Clackamas County, Oregon)

**SYSTEM DEVELOPMENT CHARGES AND REVENUES**  
Last Ten Fiscal Years

|                                   | <u>2022</u>   | <u>2021</u>  | <u>2020</u>   | <u>2019</u>  | <u>2018</u> |
|-----------------------------------|---------------|--------------|---------------|--------------|-------------|
| <b>Sanitary Sewer</b>             |               |              |               |              |             |
| Connection fee/EDU <sup>(1)</sup> |               |              |               |              |             |
| Rate Zone 1                       | \$ 8,120      | \$ 8,005     | \$ 7,850      | \$ 3,490     | \$ 3,125    |
| Rate Zone 2                       | 8,120         | 8,005        | 7,850         | 7,615        | 7,330       |
| Total Connection Revenue          | \$ 11,256,111 | \$ 8,158,439 | \$ 10,359,524 | \$ 5,206,286 | \$ 827,629  |
| <b>Surface Water</b>              |               |              |               |              |             |
| Connection fee/ESU <sup>(2)</sup> |               |              |               |              |             |
| Rate Zone 2                       | \$ 220        | \$ 215       | \$ 211        | \$ 205       | \$ -        |
| Total Connection Revenue          | \$ 138,311    | \$ 167,739   | \$ 161,094    | \$ 140,543   | \$ -        |

<sup>(1)</sup> EDU - Equivalent Dwelling Unit; Residential EDU's equal one dwelling unit; commercial EDU's equal 1,900 sq. ft. of interior floor space or per quarter acre of land.

<sup>(2)</sup> ESU - Equivalent Service Unit; One ESU is equal to 2,500 square feet of impervious surface area. The number of ESU's attributable to a user's area is calculated in whole units, with the minimum charge set at 1 ESU.

Source: WES' Records

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

PRINCIPAL RATEPAYERS WITHIN WES <sup>(1)</sup>  
Last Ten Fiscal Years

|   | 2022                 |      | 2021                 |      | 2020                 |      | 2019                 |      | 2018                |      |
|---|----------------------|------|----------------------|------|----------------------|------|----------------------|------|---------------------|------|
| Customer  | Revenue              | Rank | Revenue              | Rank | Revenue              | Rank | Revenue              | Rank | Revenue             | Rank |
| City of Oregon City                               | \$ 5,149,204         | 1    | \$ 4,985,657         | 2    | \$ 4,776,650         | 2    | \$ 4,621,023         | 2    | \$ 4,313,782        | 1    |
| City of Milwaukie                                 | 5,146,855            | 2    | 5,198,998            | 1    | 5,182,522            | 1    | 4,912,993            | 1    |                     |      |
| City of West Linn                                 | 3,249,064            | 3    | 3,163,254            | 3    | 3,034,254            | 3    | 2,945,391            | 3    | 2,827,032           | 2    |
| City of Gladstone                                 | 1,327,827            | 4    | 1,310,077            | 4    | 1,226,320            | 4    | 1,202,042            | 4    | 1,168,125           | 3    |
| Forum Clackamas Campus                            | 851,298              | 5    | 752,005              | 5    | 442,326              | 6    | 277,008              | 7    |                     |      |
| Precision Castparts                               | 636,542              | 6    | 552,083              | 6    | 571,400              | 5    | 556,110              | 5    |                     |      |
| Kaiser Hospital                                   | 348,227              | 7    | 374,839              | 7    | 354,979              | 7    | 373,687              | 6    |                     |      |
| Riverwalk Happy Valley Apartments                 | 248,996              | 8    | 247,965              | 8    | 244,357              | 8    | 232,753              | 8    |                     |      |
| GEPX Happy Valley LLC <sup>(2)</sup>              | 243,124              | 9    | 242,063              | 9    | 238,351              | 9    | 227,029              | 9    |                     |      |
| Sun Country Village LLC                           | 236,059              | 10   | 232,713              | 10   | 221,458              | 10   |                      |      |                     |      |
| Crown Court Apartments                            | 220,213              | 11   | 219,253              | 11   | 215,893              | 11   | 205,638              | 10   |                     |      |
| Townhomes with a View Condo Assoc. <sup>(3)</sup> | 212,440              | 12   | 211,497              | 12   | 208,196              | 12   | 198,305              | 11   |                     |      |
| Oak Acres Mobile Home Park                        | 202,131              | 13   | 155,516              | 18   | 152,269              | 18   | 145,024              | 17   |                     |      |
| The Overlook at Causey Lane                       | 183,761              | 14   | 182,932              | 13   | 180,029              | 13   | 171,476              | 13   |                     |      |
| Clackamas Trails Apartments                       | 177,080              | 15   | 176,304              | 14   | 173,587              | 14   | 165,341              | 14   |                     |      |
| Easton Ridge Apartments                           | 173,655              | 16   | 172,889              | 16   | 170,210              | 16   | 162,124              | 15   |                     |      |
| Hawksridge Apartments                             | 162,841              | 17   | 162,126              | 17   | 159,626              | 17   | 152,241              | 16   |                     |      |
| Riverbend Mobile Home Park                        | 162,550              | 18   |                      |      |                      |      |                      |      |                     |      |
| CR Lake Crest Communities LLC                     | 156,755              | 19   |                      |      |                      |      |                      |      |                     |      |
| Squire's Court Apartments                         | 153,146              | 20   | 152,484              | 19   | 150,166              | 19   | 143,033              | 18   |                     |      |
| Clackamas Town Center                             |                      |      | 174,325              | 15   | 170,356              | 15   | 174,380              | 12   |                     |      |
| Fred Meyer General Merchandise Office             |                      |      | 140,802              | 20   | 134,636              | 20   | 133,963              | 19   |                     |      |
| Stone Ridge Apartments                            |                      |      |                      |      |                      |      | 124,728              | 20   |                     |      |
| <b>Total</b>                                      | <b>\$ 19,241,768</b> |      | <b>\$ 18,807,782</b> |      | <b>\$ 18,007,585</b> |      | <b>\$ 17,124,289</b> |      | <b>\$ 8,308,939</b> |      |

<sup>(1)</sup> In FY 2018, the cities of Gladstone, Oregon City, and West Linn accounted for more than ninety-five percent of total user charges.

<sup>(2)</sup> In FY 2022, customer account name changed from Big Reflections OR LLC to GEPX Happy Valley LLC.

<sup>(3)</sup> In FY 2021, customer account name changed from The Woods Apartments to Townhomes with a View Condo Assoc.

Source: WES' Records

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years

| Fiscal<br>Year | Revenue<br>Bonds and<br>Obligations | Loans<br>Payable | Total          | Percentage<br>of Personal<br>Income | Per<br>Capita |
|----------------|-------------------------------------|------------------|----------------|-------------------------------------|---------------|
| 2022           | \$ 125,883,961                      | \$ 36,000,583    | \$ 161,884,544 | N/A %                               | \$ 836        |
| 2021           | 133,186,869                         | 32,649,335       | 165,836,204    | N/A                                 | 880           |
| 2020           | 89,433,491                          | 20,999,100       | 110,432,591    | 0.92                                | 598           |
| 2019           | 93,744,647                          | 10,315,874       | 104,060,521    | 0.92                                | 569           |
| 2018           | -                                   | -                | -              | -                                   | -             |

N/A: Not available

Source: WES' Records



WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

OVERLAPPING GENERAL OBLIGATION BONDED DEBT <sup>(1)</sup>  
June 30, 2022

| Governmental Unit  | Debt<br>Outstanding     | Percent<br>Overlapping | Overlapping<br>General<br>Obligation<br>Bonded Debt |
|--|-------------------------|------------------------|---|
| <b>Debt repaid with property taxes</b>                       |                         |                        |   |
| City of Gladstone  | \$ 8,159,712            | 73.77 %                | \$ 6,019,420  |
| City of Oregon City  | 12,565,000              | 99.33                  | 12,480,815  |
| City of West Linn  | 28,200,000              | 99.96                  | 28,188,720  |
| Clackamas Community College                                  | 134,508,536             | 20.25                  | 27,237,979  |
| Clackamas County   | 115,525,000             | 14.99                  | 17,317,198  |
| Clackamas County Education Service District                  | 21,902,000              | 15.71                  | 3,440,804   |
| Clackamas County Rural Fire Protection District #1           | 25,184,520              | 14.84                  | 3,737,383   |
| Clackamas County School District #115 (Gladstone)            | 26,684,090              | 72.14                  | 19,249,903  |
| Clackamas County School District #12 (North Clackamas)       | 667,644,451             | 0.27                   | 1,802,640   |
| Clackamas County School District #3J (West Linn/Wilsonville) | 447,097,462             | 44.13                  | 197,304,110   |
| Clackamas County School District #46 (Oregon Trail)          | 76,150,071              | 100.00                 | 76,150,071  |
| Clackamas County School District #62 (Oregon City)           | 276,111,382             | 58.77                  | 162,270,659   |
| Clackamas County School District #7J (Lake Oswego)           | 396,796,752             | 0.32                   | 1,269,750   |
| Clackamas Soil & Water Conservation                          | 5,785,000               | 14.99                  | 867,172   |
| Metro  | 873,470,000             | 3.68                   | 32,143,696  |
| Mt Hood Community College                                    | 76,545,000              | 16.50                  | 12,629,925  |
| Multnomah County Education Service District                  | 60,233,416              | 1.45                   | 873,385   |
| Multnomah County School District #28J (Centennial)           | 63,934,548              | 7.81                   | 4,993,288   |
| Portland Community College                                   | 496,110,000             | 0.02                   | 99,222  |
| Tualatin Valley Fire & Rescue District                       | 60,075,000              | 5.39                   | 3,238,043   |
| <b>Other Debt</b>  |                         |                        |   |
| City of Oregon City  | 12,824,927              | 99.33                  | 12,739,000  |
| Clackamas Community College                                  | 18,070,000              | 20.25                  | 3,659,175   |
| Clackamas County Rural Fire Protection District #1           | 11,155,000              | 14.84                  | 1,655,402   |
| Clackamas County School District #12 (North Clackamas)       | 1,610,378               | 0.27                   | 4,348   |
| Clackamas County School District #62 (Oregon City)           | 186,333                 | 58.77                  | 109,508   |
| Metro  | 24,485,000              | 3.68                   | 901,048   |
| Mt. Hood Community College                                   | 29,122,863              | 16.50                  | 4,805,272   |
| Multnomah County Education Service District                  | 21,300,000              | 1.45                   | 308,850   |
| Port of Portland   | 45,725,000              | 3.38                   | 1,545,505   |
| Portland Community College                                   | 54,390,000              | 0.02                   | 10,878  |
| Tualatin Valley Fire & Rescue District                       | 6,960,000               | 5.39                   | 375,144   |
| <b>Total overlapping debt</b>                                | <b>\$ 4,098,511,441</b> |                        | <b>\$ 637,428,313</b>                               |

<sup>(1)</sup> Overlapping governments are those that coincide, at least in part, with the geographic boundaries of WES. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of WES. The State of Oregon provides overlapping debt data based on real market valuation of properties for each jurisdiction.

Source: Municipal Debt Advisory Commission, State of Oregon, Office of the Treasurer

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

PLEDGED REVENUE COVERAGE  
Last Ten Fiscal Years

|  | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>Gross Revenues</b>                          |                      |                      |                      |                      |
| Monthly Service Charges                        | \$ 31,480,794        | \$ 31,097,813        | \$ 29,686,628        | \$ 27,898,923        |
| Operating Payment from Cities                  | 14,999,551           | 14,784,587           | 14,346,181           | 13,801,878           |
| Interest Earnings                              | 895,174              | 1,080,151            | 1,762,557            | 1,806,268            |
| Miscellaneous Income                           | 1,120,103            | 987,048              | 1,361,246            | 1,007,099            |
| Capital Charge Revenues                        | 120,234              | 224,461              | 452,580              | 298,389              |
| System Development Charges                     | 11,274,188           | 8,101,717            | 10,044,368           | 4,888,525            |
| Other Connection Charges                       | -                    | -                    | 23,670               | 159,915              |
| <b>Total Gross Revenues</b>                    | <b>\$ 59,890,044</b> | <b>\$ 56,275,777</b> | <b>\$ 57,677,230</b> | <b>\$ 49,860,997</b> |
| <b>Operating Expenses</b>                      |                      |                      |                      |                      |
| Operation, Maintenance & Replacements          | 25,926,534           | 26,244,860           | 25,856,791           | 24,151,012           |
| <b>Total Operating Expenses</b>                | <b>25,926,534</b>    | <b>26,244,860</b>    | <b>25,856,791</b>    | <b>24,151,012</b>    |
| <b>Net Operating Revenues</b>                  | <b>\$ 33,963,510</b> | <b>\$ 30,030,917</b> | <b>\$ 31,820,439</b> | <b>\$ 25,709,985</b> |
| <b>Revenue Bond Debt Service</b>               |                      |                      |                      |                      |
| Series 2009A                                   | -                    | -                    | -                    | 1,228,150            |
| Series 2009B                                   | -                    | -                    | 1,499,400            | 1,502,100            |
| Series 2010                                    | -                    | 856,800              | 870,000              | 887,500              |
| Series 2016                                    | 6,760,756            | 5,911,257            | 4,426,006            | 3,256,231            |
| Series 2021                                    | 3,679,000            | 434,883              | -                    | -                    |
| <b>Total Revenue Bond Debt Service</b>         | <b>\$ 10,439,756</b> | <b>\$ 7,202,940</b>  | <b>\$ 6,795,406</b>  | <b>\$ 6,873,981</b>  |
| Revenue Bonds Debt Service Coverage            | 3.25                 | 4.17                 | 4.68                 | 3.74                 |
| Revenue Bonds Coverage without SDC's           | 2.17                 | 3.04                 | 3.20                 | 3.03                 |
| <b>Revenues Available for</b>                  |                      |                      |                      |                      |
| <b>State Revolving Fund Loans</b>              | <b>\$ 23,523,754</b> | <b>\$ 22,827,977</b> | <b>\$ 25,025,033</b> | <b>\$ 18,836,004</b> |
| <b>State Revolving Fund Loan Debt Service</b>  |                      |                      |                      |                      |
| R06224   | 112,050              | 112,581              | 106,208              | 106,208              |
| R95030   | 728,979              | 500,000              | -                    | -                    |
| R95031   | -                    | -                    | -                    | -                    |
| <b>Total State Revolving Loan Debt Service</b> | <b>\$ 841,029</b>    | <b>\$ 612,581</b>    | <b>\$ 106,208</b>    | <b>\$ 106,208</b>    |
| <b>Revenues Available for Other Purposes</b>   | <b>\$ 22,682,725</b> | <b>\$ 22,215,396</b> | <b>\$ 24,918,825</b> | <b>\$ 18,729,796</b> |

Source: WES' Records

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years

| Ended<br>June 30, | Population<br>Estimate | Personal<br>Income <sup>(1)</sup> | Per<br>Capita<br>Personal<br>Income <sup>(1)</sup> | Unemployment<br>Rate (PMSA) |
|-------------------|------------------------|-----------------------------------|--|-----------------------------|
| 2022              | 193,677                | N/A                               | N/A  | 3.3 %                       |
| 2021              | 188,381                | N/A                               | N/A  | 4.9                         |
| 2020              | 184,648                | \$ 11,963,545,414                 | \$ 64,791  | 11.2                        |
| 2019              | 182,901                | 11,289,739,719                    | 61,726   | 3.7                         |
| 2018              | 80,045                 | 4,691,277,360                     | 58,608   | 3.7                         |

N/A: Not available

<sup>(1)</sup> Figures are for calendar year; Personal Income and Per Capita Income for 2021 and 2022 are not available.

Source: Center for Population Research and Census, U.S. Bureau of Labor Statistics and State of Oregon  
Employment Department

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

PRINCIPAL EMPLOYERS <sup>(1)</sup>  
Current Year and Nine Years Ago

| Employer                            | 2022           |      |                                    | 2013           |      |                                    |
|-------------------------------------|----------------|------|------------------------------------|----------------|------|------------------------------------|
|                                     | Employees      | Rank | Percentage of Total <sup>(2)</sup> | Employees      | Rank | Percentage of Total <sup>(2)</sup> |
| Intel Corp.                         | 21,000         | 1    | .02 %                              | 16,250         | 1    | .01 %                              |
| Providence Health & Services        | 21,000         | 2    | .02                                | 14,389         | 2    | .01                                |
| Oregon Health & Sciences University | 18,048         | 3    | .01                                | 13,733         | 4    | .01                                |
| Nike Inc.                           | 13,964         | 4    | .01                                | 7,000          | 10   | .01                                |
| Legacy Health                       | 13,120         | 5    | .01                                | 9,662          | 6    | .01                                |
| Kaiser Permanente                   | 11,163         | 6    | .01                                | 9,195          | 7    | .01                                |
| Fred Meyer                          | 9,525          | 7    | .01                                | 10,389         | 5    | .01                                |
| Portland Public Schools             | 6,847          | 8    | .01                                |                |      |                                    |
| City of Portland                    | 6,635          | 9    | .01                                | 8,951          | 8    | .01                                |
| Multnomah County                    | 5,096          | 10   | .00                                |                |      |                                    |
| U.S. Federal Govt.                  |                |      |                                    | 7,559          | 9    | .01                                |
| State of Oregon                     |                |      |                                    | 13,900         | 3    | .01                                |
| <b>Total</b>                        | <b>126,398</b> |      | <b>0.11 %</b>                      | <b>111,028</b> |      | <b>0.10 %</b>                      |

Sources:

<sup>(1)</sup> Statistics are the latest available data published in the Portland Business Journal *Book of Lists 2022* and *Book of Lists 2013*. The Business Journal Book of Lists ranks Portland Metropolitan Area employers.

<sup>(2)</sup> Total Portland Metropolitan Area employment used to calculate percentages is from the United States Department of Labor Bureau of Labor Statistics.

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION  
Last Ten Fiscal Years

|                                 | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u> |
|---------------------------------|--------------|--------------|--------------|--------------|-------------|
| <b>Function</b>                 |              |              |              |              |             |
| Business Services               | 25.7         | 21.7         | 22.2         | 22.6         | 2.8         |
| Capital Planning and Management | 16.6         | 17.4         | 17.0         | 16.4         | 4.3         |
| Environmental Services          | 19.3         | 20.5         | 19.4         | 19.6         | 2.5         |
| Operations                      | <u>54.4</u>  | <u>56.4</u>  | <u>53.4</u>  | <u>51.4</u>  | <u>18.1</u> |
| <b>Total</b>                    | <u>116.0</u> | <u>116.0</u> | <u>112.0</u> | <u>110.0</u> | <u>27.7</u> |

In FY 2018, the Department Water Environment Services was responsible for the general management and operation of CCSD No. 1 and WES. Employees when possible, directly charged their time to the appropriate entity. Otherwise, their time was allocated. Hence, employee counts listed above are expressed in full-time equivalents devoted to WES' operations.

Source: WES' Records

WATER ENVIRONMENT SERVICES  
(A Component Unit of Clackamas County, Oregon)

OPERATING AND CAPITAL INDICATORS  
Last Ten Fiscal Years

|  | 2022   | 2021   | 2020   | 2019   | 2018   |
|--|--------|--------|--------|--------|--------|
| <b>Sanitary Sewer</b>                                      |        |        |        |        |        |
| Number of Treatment Plants                                 | 5      | 5      | 5      | 5      | 1      |
| Number of Pump Stations                                    | 21     | 21     | 21     | 21     | 4      |
| Miles of Pipe  | 358.38 | 356.95 | 355.34 | 348.57 | 19.39  |
| <u>Tri-City Water Resource Recovery Facility</u>           |        |        |        |        |        |
| Hydraulic treatment capacities<br>(in million gallons/day) | 11.90  | 11.90  | 11.90  | 11.90  | 11.90  |
| System Demand - Current flows<br>(in million gallons/day)  | 11.62  | 9.84   | 8.11   | 8.31   | 9.90   |
| <u>Kellogg Creek Water Resource Recovery Facility</u>      |        |        |        |        |        |
| Hydraulic treatment capacities<br>(in million gallons/day) | 10.129 | 10.129 | 10.129 | 10.129 | -      |
| System Demand - Current flows<br>(in million gallons/day)  | 7.12   | 6.40   | 5.65   | 6.09   | -      |
| Estimated Sanitary EDUs <sup>(1)</sup>                     | 82,950 | 81,996 | 81,267 | 79,194 | 30,152 |
| Number of New Connections                                  | 1,367  | 992    | 1,260  | 727    | 262    |
| <b>Surface Water</b>                                       |        |        |        |        |        |
| Catch Basins / Manholes                                    | 19,001 | 17,648 | 16,188 | 15,626 | 260    |
| Miles of pipe  | 330.12 | 328.92 | 328.74 | 325.20 | 4.67   |
| Estimated Surface Water ESUs <sup>(2)</sup>                | 59,085 | 58,208 | 57,054 | 56,091 | 3,813  |

In Fiscal Year 2021, this chart was revised for prior year data.

<sup>(1)</sup> EDU - Equivalent Dwelling Unit; Residential Sanitary Sewer EDU's equal one dwelling unit; commercial Sanitary Sewer EDU's equal 1 EDU per each 1,000 cubic feet or fraction thereof per month of metered water consumption.

<sup>(2)</sup> ESU - Equivalent Service Unit; One Surface Water ESU is equal to 2,500 square feet of impervious surface area with the minimum user charge set at 1 ESU.

Source: WES' Records

# Compliance Reports







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

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Water Environment Services  
Oregon City, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Water Environment Services (WES), a component unit of Clackamas County, Oregon, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise WES's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 22, 2022.

### **Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Portland, Oregon  
November 22, 2022

## **Report of Independent Auditors Required by Oregon State Regulations**

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Water Environment Services  
Oregon City, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Water Environment Services (WES), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise WES's basic financial statements, and have issued our report thereon dated November 22, 2022.

### **Compliance**

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

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

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

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

## **Internal Control Over Financial Reporting**

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

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

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

## **Purpose of this Report**

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

This report is intended solely for the information and use of the Board of County Commissioners and management of WES and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in cursive script that reads "Ashley Osten".

Ashley Osten, Partner, for  
Moss Adams LLP  
Portland, Oregon  
November 22, 2022



