

**SOUTH SUBURBAN
SANITARY DISTRICT**

Klamath Falls, Oregon

Annual Financial Report

For the year ended June 30, 2021

Prepared by Administration Office
Cindy Oden
Director of Administrative Services

SOUTH SUBURBAN SANITARY DISTRICT
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JUNE 30, 2021

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SOUTH SUBURBAN SANITARY DISTRICT
JUNE 30, 2021
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Michael G. Griffith 1045 Thomas Klamath Falls, OR 97603	Director	June 30, 2023
Charles R. Dehlinger 3650 Hilyard Ave Klamath Falls, OR 97603	Director	June 30, 2021
James Bellet 2346 Nile Street Klamath Falls, OR 97603	Chairman	June 30, 2021

MANAGEMENT

District Manager

Michael Fritschi

Director of Administrative Services

Cindy Oden

ADMINISTRATIVE OFFICE

2201 Laverne Avenue
Klamath Falls, OR 97603
(541) 882-5744

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Suburban Sanitary District
Klamath Falls, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of South Suburban Sanitary District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedules of proportionate share of the net pension liability and employer contributions, schedules of proportionate share of the net other post-employment benefits liability and employer contributions and schedule of changes in net OPEB liability and related ratios in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Suburban Sanitary District's basic financial statements. The introductory section and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 16, 2022 on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

WISE & Co., LLP



Dianne E. Spires, Director
Klamath Falls, Oregon
February 16, 2022



Board of Directors
Position 1 - Mike Koger
Position 2 - Kevin Harter
Position 3 - Joe Spendolini

General Manager/Secretary
Brett Blofsky

2201 Laverne Avenue
Klamath Falls, OR 97603
Phone 541.882.5744 Fax 541.882.5013
www.sssd.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the South Suburban Sanitary District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2021. This analysis focuses on current activities and should be read in conjunction with the District's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District is a self-supporting special-purpose government engaged only in the business-type activities of collection and treatment of sewage. The District's basic financial statements consist of the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. In addition, the notes to the financial statements are essential to a full understanding of the information included in the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2021

- The assets and deferred outflows of resources of the District exceed liabilities and deferred inflow of resources at June 30, 2021 by \$52,796,311. Of this amount \$27,011,981 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$1,694,126.
- Net service fee revenue increased by \$107,402, due to a rate increase of 5%. System development revenue decreased by \$261,870, even though there was a rate increase of 5%, the decrease was due to the lack of development in the area. Interest and penalties (late charges) decreased by \$45,970, due to an increase in customers meeting their obligations.
- Investment income was down by \$555,969, due to a decrease of \$6.5 million in cash to invest and interest rates on investments were down.
- Total operating expenses increased by \$279,646; with \$133,298 increase in personnel services, largely due to employee benefits. Material and services increased by \$49,279, due to a increased cost in maintaining the treatment plant. Depreciation expense increased by \$97,069.

Basic Financial Statements

The District uses a sole proprietary fund to account for its operations. Accordingly, the financial statements are presented using the accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position presents information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal year ended June 30, 2021. This statement provides information on the District's operation over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on sources and uses of cash and the change in the cash and cash equivalents balance for the last fiscal year.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information.

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was \$52,796.3 at June 30, 2021. (See Table 1)

Table 1:

Condensed Statement of Net Position
June 30,
(Amounts in Thousands)

	2021	2020
Current and Other Assets	30,513.4	36,396.6
Capital Assets, net	24,120.4	16,009.5
Total Assets	54,633.8	52,406.1
Deferred Outflows	691.9	464.5
Current liabilities	476.8	200.6
Non Current liabilities	1,959.4	1,426.2
Total Liabilities	2,436.2	1,626.8
Deferred Inflows	93.2	141.6
Investment in capital assets	24,120.4	16,009.5
Restricted net position	1,663.9	1,571.7
Unrestricted net position	27,012.0	33,521.0
Total Net Position	52,796.3	51,102.2

A large portion of the District's assets (44.2%) reflects its investment in capital assets (e.g. land, buildings, treatment system, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the District's net position (3.1%) is resources that are subject to external restriction on how they may be used. The remaining balance is unrestricted net position and may be used to meet the District's ongoing obligations to citizens.

Analysis of the District's Operations

The following table provides a summary of the District's operations for the years ended June 30, 2021 and 2020. Operating income increased the District's net position by \$1,863.8 accounting for 1.10% of the total growth in net position.

Table 2:

Condensed Statement of Revenues, Expenses
and Changes in Net Position

For year ending June 30, (Amounts in Thousands)	2021	2020
Operating Revenues	4,762.4	4,705.0
Operating Expenses	2,144.0	1,961.5
Depreciation Expense	754.6	657.5
Operating Income	1,863.8	2,086.0
Nonoperating Revenues (expenses)	(286.8)	1,121.6
Income before contributions	1,577.0	3,207.6
Capital Contributions	117.1	392.3
Increase in Net Position	1,694.1	3,599.9
Beginning Net Position, as previously stated	51,102.2	47,502.3
Ending Net Position, as restated	52,796.3	51,102.2

CAPITAL ASSETS

The District's investment in capital assets includes land and improvements, buildings and improvements, infrastructure, treatment plant, and equipment. As of June 30, 2021, the District had invested \$24,120.4 in capital assets, net of depreciation.

During the year, the District's investment in capital assets increased by \$5,703.5. The District had current year capital asset disposals of \$694.2. The major capital asset investments included improvements to the collection system infrastructure, installation of Vanguard sanitizing equipment, 2021 F150 Ford pickup, John Deere tractor with aerator paddle, grit removal from a lagoon, and purchase of 1,043 acres of land.

Table 3:

Capital assets,

net of accumulated depreciation

For year ending June 30, (Amounts in Thousands)	2021	2020
Easements and right of ways	5.0	5.0
Construction in progress	2,399.1	2,746.3
Land	4,657.8	321.3
Infrastructure	10,094.8	7,493.0
Infrastructure - Henley	1,916.8	1,916.8
Equipment & Buildings - N Poe Valley	1,765.2	-
Equipment - Highway 39	12.9	-
Treatment plant	12,574.7	12,427.9
Headquarters compound	792.8	792.8
Equipment	2,572.7	2,234.2
Less accumulated depreciation	(12,671.4)	(11,927.8)
Total capital assets, net of accumulated depreciation	24,120.4	16,009.5

BUDGETARY HIGHLIGHTS

During the fiscal year 2020-2021, the District did not revise the budget appropriations.

Table 4:

	Original Budget	Revised Budget	Net Change
Administration	467.0	467.0	0.0
Personnel Services	398.9	398.9	0.0
Contract & Material Services	68.1	68.1	0.0
Capital Outlay	0.0	0.0	0.0
Wastewater Collection	3,219.4	3,219.4	0.0
Personnel Services	628.3	628.3	0.0
Contract & Material Services	251.5	251.5	0.0
Capital Outlay	2,339.6	2,339.6	0.0
Wastewater Treatment	10,479.5	10,479.5	0.0
Personnel Services	272.3	272.3	0.0
Contract & Material Services	529.7	529.7	0.0
Capital Outlay	9,677.5	9,677.5	0.0
Operating contingency	1,484.1	1,484.1	0.0
Total Appropriations	15,650.0	15,650.0	0.0

Revenues were under budget by \$62.1, this was due to a decrease in anticipated investment income.

Administrative services were within budget at 97.5%; Wastewater Collection was within budget at 87.3%; and Wastewater Treatment was within budget at 75.8%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District provided a balanced budget for the fiscal year 2021-2022 and has been able to save many budget dollars for future development.

The District's permit process has begun for the new NPDES permit with the addition of a water pollution control facility discharge (offsite discharge) option. The District's permit was issued in late winter of 2020. The District expects to receive, at minimum, a 5-year compliance period in which to make the required improvements.

Administrative Services budget for 2021/2022 has increased from \$491,494 to \$494,575. Wastewater Collection Services in the 2021/2022 budget decreased from \$2,666,382 to \$1,687,070. The Wastewater Collection Services budget decrease is due to a decrease in capital Infrastructure. Wastewater Treatment Services in the 2021/2022 budget decreased from \$14,112,919 to \$11,290,019. The Wastewater Treatment Service budget decrease is due a decrease in capital.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET - continued

Currently the Department of Environmental Quality (DEQ) has provided the District with a compliance schedule to meet final effluent limitation for the District's new permit. The District has hired a consultant and they are in the process of updating the District Facility Plan.

The District is also in the beginning stage of a pilot study on new technology to convert the district effluent to class A water and work with farmers or irrigation districts to incorporate a recycled water plan to their new facility or continued surface water discharge.

The entire project is expected to be complete and in service by 2026. At the current time, the cost for modifications to meet NPDES permit cannot be reasonable estimated.

These Government Regulations will be the major factors that drive the District's rates. Currently, the District's rates decreased 10% on July 1, 2021 and will increase thereafter, by the previous December Western Consumer Price Index B/C at the beginning of the fiscal year.

The District has planned a rehabilitation and new projects in 2021/2022 consisting of service lateral rehabilitation, sludge removal in lagoon 1 and hauling the dry sludge to a landfill in Jackson County; and continued development of GIS Map, which is estimated to be 35% complete.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of South Suburban Sanitary District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, South Suburban Sanitary District, 2201 Laverne Avenue, Klamath Falls, OR 97603.

FINANCIAL STATEMENTS

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 28,004,991
Accounts receivable	650,135
Inventory	104,282
Prepaid expenses	<u>55,744</u>
 Total current assets	 <u>28,815,152</u>

NONCURRENT ASSETS

Cash and cash equivalents restricted for system development	1,663,921
Capital assets, Non-depreciated:	
Easements & right of ways	4,984
Construction in progress	2,399,088
Land	4,657,787
Capital assets, Net of depreciation:	
Infrastructure	6,020,293
Infrastructure - Henley	1,386,051
Equipment & Buildings - N Poe Valley	1,708,654
Equipment - Highway 39	11,663
Treatment plant	6,723,075
Headquarters compound	273,300
Equipment	935,514
Skyline System Development	25,641
Net other post employment benefits (OPEB) asset	<u>8,740</u>
 Total noncurrent assets	 <u>25,818,711</u>

Total assets	<u>54,633,863</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	679,697
Deferred outflows related to OPEB	<u>12,233</u>
	<u>691,930</u>

Total assets and deferred outflows of resources	<u>55,325,793</u>
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The accompanying notes are an integral part of this financial statement.

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 326,293
Service accounts payable	66,748
Accrued compensation	10,277
Accrued payroll taxes payable	4,197
Unearned lease income	1,312
Compensated absences payable	<u>67,975</u>
Total current liabilities	<u>476,802</u>

NONCURRENT LIABILITIES

Net pension liability	1,916,602
Net OPEB obligation	<u>42,832</u>
Total noncurrent liabilities	<u>1,959,434</u>

Total liabilities	<u>2,436,236</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	89,492
Deferred inflows related to OPEB	<u>3,754</u>
	<u>93,246</u>

NET POSITION

Net investment in capital assets	24,120,409
Restricted for system development	1,663,921
Unrestricted	<u>27,011,981</u>
Total net position	<u>\$ 52,796,311</u>

The accompanying notes are an integral part of this financial statement.

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2021

OPERATING REVENUES

Sewer service charges, net of returns and allowances of \$193,874	\$ 4,506,619
Texum	24,067
Henley School Service	31,019
Interest and penalties (late charges)	171,566
Refunds and miscellaneous	<u>29,138</u>
Total operating revenues	<u>4,762,409</u>

OPERATING EXPENSES

Personal Services	1,431,665
Materials and Services	712,378
Depreciation	<u>754,600</u>
Total operating expenses	<u>2,898,643</u>
Operating income	<u>1,863,766</u>

NON-OPERATING REVENUE (EXPENSES)

Loss on purchase option	(683,164)
Gain on sale of asset	2,020
Grant income	49,651
Lease income	37,311
Solar power income	61,324
Investment income	<u>246,074</u>
Total non-operating revenue (expenses)	<u>(286,784)</u>

CAPITAL CONTRIBUTIONS

Donated capital assets	24,952
System development fees	<u>92,192</u>
Total capital contributions	<u>117,144</u>
Increase in net position	1,694,126
Net position - beginning of year	<u>51,102,185</u>
Total net position, end of year	<u><u>\$ 52,796,311</u></u>

The accompanying notes are an integral part of this financial statement.

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 4,829,259
Cash payments to suppliers for goods and services	(592,657)
Cash payments to employees for services	<u>(1,097,512)</u>
Net cash provided by operating activities	<u>3,139,090</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:

Cash received from lease	37,349
Proceeds from system development fees	133,958
Proceeds from grant	299,651
Proceeds from solar	54,053
Proceeds from sale of assets	1,976
Loss on purchase option	(467,476)
Capital asset additions	<u>(9,075,739)</u>
Net cash used by capital & related financing activities	<u>(9,016,228)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from the sale of investments	4,254,351
Interest received	<u>246,483</u>
Net cash provided by investing activities	<u>4,500,834</u>
Net change in cash and cash equivalents	(1,376,304)
Cash and cash equivalents, beginning of year	<u>31,045,216</u>
Cash and cash equivalents, end of year	<u>\$ 29,668,912</u>

Classified on the Statement of Net Position as:

Cash and cash equivalents	\$ 28,004,991
Cash and cash equivalents, restricted for system development	<u>1,663,921</u>
	<u>\$ 29,668,912</u>

The accompanying notes are an integral part of this financial statement.

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2021

Reconciliation of operating income to
net cash provided by operating activities:

Operating income	\$ 1,863,766
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	754,600
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	32,829
Inventory	(23,263)
Prepaid expenses	(19,163)
Net other post employment benefits (OPEB) asset	6,237
Deferred outflows related to pension and OPEB	(236,964)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	235,463
Accrued expenses	40,727
Net OEPB obligation	5,635
Deferred inflows related to pensions and OPEB	(48,322)
Net pension liability	527,545
Net cash provided by operating activities	\$ 3,139,090

The accompanying notes are an integral part of this financial statement.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The South Suburban Sanitary District (the District) is a special service district created by the Court of Klamath County, Oregon, on July 12, 1957, operating under the provisions of ORS chapter 450, and numerous other applicable statutes for purposes of providing sewer collection and treatment services. The District's geographical boundaries encompass approximately 10 square miles in the south suburbs of the City of Klamath Falls, Klamath County. The District also provides some services to Henley Schools, which is located outside of the District's geographical boundaries. These services are provided through an intergovernmental agreement with Klamath County School District.

The District is governed by an elected Board of Directors that is comprised of three members. The daily management of the District is under the supervision of the District Manager, who is appointed by the Board of Directors.

Measurement focus, basis of accounting, and financial statement presentation

For financial reporting purposes, the District reports its operations in a sole enterprise fund. Enterprise funds (a proprietary fund type) are prepared on the accrual basis of accounting using the "economic resources measurement focus". Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the Statement of Net Position with the equity section representing "total net position."

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to the proprietary funds of local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The District's more significant accounting policies are described below.

Operating and Non-Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily the provision of services related to the collection and treatment of wastewater.

The principal operating revenues of the District are sewer service charges and related fees. Sewer service revenue is recorded when the service is rendered. Operating expenses include all necessary costs related to the performance and administration of the District's ongoing activities as well as depreciation expense on the District's capital assets.

Non-operating revenues and expenses include lease income, interest income or expense, and income or loss derived from the disposal of capital assets. Capital contributions include system

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Operating and Non-Operating Revenues and Expenses – (continued)

development fees and related items associated with new connections to the District's collection and treatment facilities. Capital contributions also include capital grant contribution, and non-exchange transactions, in which the District receives value without giving equal value in exchange.

Cash and Cash Equivalents

The cash and cash equivalents reported on the statement of cash flows includes petty cash, checking, savings, and investments in local government investment pools since these funds can be withdrawn without prior notice or penalty. All highly liquid investments with a maturity of three months or less are also considered to be cash equivalents.

Investments

Investments are reported at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts Receivable

Sanitary sewer charges are billed in advance each year in July for the entire fiscal year to residential, commercial, and industrial customers. Customers paying their entire annual bill before the end of September may take a 4% discount on the annual charge. Otherwise, one-quarter of the annual bill is due by the end of September, December, March and June. Sewer charges not paid by the end of each quarter are subject to an interest penalty of 6% of the unpaid quarterly balance each quarter.

The District uses its' authority given under Oregon Revised Statutes (ORS) 454.225 to collect delinquent service charges through a special assessment against property owner's real estate. In June, each year, accounts with balances exceeding \$10 are certified to the Klamath County's Assessor under authority provided by ORS 454.225 and placed on the property tax roll as a special assessment. In addition to the sewer charges and accrued interest penalties, accounts certified are assessed an 18% certification fee to help defray administrative expenses.

Property taxes become a lien against the property, as of July 1, in the year in which they are due and are assessed in October through billing by the county to the property owner. Payments are due in three equal installments on November 15, February 15 and May 15 with a three percent discount available for payment in full on November 15. Taxes unpaid and outstanding on May 16 are considered delinquent and are subject to lien, and penalties and interest are assessed. The District considers all receivables collectible, and therefore, no allowance for uncollectible receivables is provided.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Accounts Receivable – (continued)

The amount due from property owners for delinquent service billings that the District certified with the County Assessor was \$631,631 as of June 30, 2021. This amount has been aggregated with the accounts receivable.

Inventory and Prepaid Expenses

Inventory, which consists of operating materials and supplies, is reported at cost using the first-in, first-out pricing convention, and is charged against operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets include property (including right of way easements), treatment plant, equipment (including computer software), infrastructure assets (collection system & mainlines). Purchased capital assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Major additions, improvements and replacements are capitalized. The District reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported on the financial statement regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are stated at estimated fair market value at the date of donation. Gains and losses realized from the sale or other disposition of capital assets are reflected in the statement of revenues, expenses and changes in net position.

The District defines a capital asset as an asset with an initial cost of more than \$5,000, subject to certain exceptions and an expected useful life greater than one year. The cost of capital assets acquired and/or constructed includes all expenses incurred in the acquisition or construction of the asset, including capital project master planning, engineering design, legal services, and interest accrued during construction. All property right of way easements and vehicles (rolling stock) are capitalized regardless of cost.

Property, plant and equipment are depreciated using the straight-line method over their estimated lives as follows:

Infrastructure	10-50 years
Treatment plant	5-50 years
Headquarters compound	5-30 years
Equipment	3-10 years

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Construction in Progress

Construction in progress represents cost accumulated for rehabilitation on the District's Geographic Information System \$683,028; Service Lateral Rehabilitation Project \$225,615; Manhole Rehabilitation \$7,097; Sludge Removal \$42,144; Design Standards \$8,687; and Facility Plan of \$1,432,517 that has not been completed at year end.

Leases

Leases which meet certain criteria established by the Financial Accounting Standard Board are classified as capital leases, and the assets and related liabilities are recorded at amounts equal to the lesser of the present value of minimum lease payments or the fair value of the leased property at the beginning of the respective lease term. Leases which do not meet the criteria of a capital lease are classified as operating lease.

Restricted Assets

Assets whose use is restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the statement of net position. These assets are restricted for system development purposes, which have state mandated uses.

When an expense is incurred for purposes for which both restricted and non-restricted net position are available, the policy of the District is to expend restricted net position before non-restricted.

Contribution of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Equity Classification

Equity is classified as net position, which represents the difference between assets and liabilities. Net position is displayed in three components:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.

Restricted net position – consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Equity Classification (continued)

Unrestricted net position – all other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Deferred Outflows of Resources

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

Compensated Absences

The District’s Board of Directors adopted the District’s Employee Policies with Resolution #223 on June 15, 2021. Under the terms of the District’s employee policy, employees are granted vacation, personal business leave and sick leave.

Vacation leave is credited to each employee’s account on their anniversary date and employees must be employed on their anniversary date to receive vacation credits. No vacation leave will be credited during the initial employee orientation period. Because leave is advanced to the employee each year, the District will only pay a pro-rated amount of credited vacation hours, less any amount taken for the current year, to the employee upon separation of employment with the District. Employees are allowed to carry over up to a maximum of 80 hours of unused vacation time from one employment year to the next. Any unused vacation time over 80 hours, shall be forfeited by the employee.

Employees are credited with twenty-four hours of personal business leave each year on their employment anniversary date. Any personal business leave not taken by the next employment anniversary date will be forfeited and no cash out shall be allowed for unused personal business leave. The District has calculated the applicable personal business leave benefit, but has not recorded this amount in the financial statements since no amounts are payable upon separation from service. The amount is estimated at \$3,780.

Sick leave accrues at four hours a pay period or 8 hours a month, with a maximum accumulation of 960 hours. Sick leave can be taken in the event of illness. On April 16, 2019, the District’s Board of Directors adopted Employee Sick Time to Deferred Compensation Program with Resolution #208. Starting July 1, 2019 and ending June 30, 2022 employees that have accrued over 300 hours of sick leave may either cash out the sick leave over 300 hours or use an option to deposit this amount into their 457(b) Deferred Compensation Plan once per fiscal year. The District has calculated the applicable sick pay benefit amount estimated at \$95,666 and has recorded \$34,063 of this amount in the financial statements, as the amount that can be cashed out or paid to the 457(b) plan. The remaining \$61,603 has not been recorded in the financial statements since it is not payable upon separation from service.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Deferred Inflows of Resources

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

Pensions

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

457(b) Deferred Compensation Plan

The District has a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code section 457(b). The Plan is managed by independent plan administrators. The Plan is available to all employees of the District. Employees may defer a portion of their salary until future years; the District does not make contributions. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than the payment of benefits to the Plan participants. Accordingly, these Plan assets and related liability are not recorded in the District's basic financial statements.

Employees are immediately vested in all contributions to the Plan.

For the period ended June 30, 2021, employees contributed \$68,118.

Postemployment Benefits Obligation

The District's net OPEB obligation is recognized as a long-term liability, the amount of which is actuarially determined. More information on the District's postemployment benefits can be found in Note 9.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

For financial reporting and operating purposes, the District considers its activities as those of a unitary enterprise operation (proprietary fund). Therefore, these activities are reported in a single enterprise fund. However, for legal requirements as set forth in the Oregon Local Budget Law, the District prepares and adopts a budget on the cash basis for its individual fund type. The resolution authorizing appropriations for this fund sets the level by which expenditures cannot legally exceed appropriations. The District has established the level of control by organizational unit. These units include administration, collection system, treatment plant, general operating contingency, and reserve and special payments. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expense categories. All appropriations lapse at the end of each fiscal year.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. Original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the District. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the levels of control. Such transfers required approval by passing a District resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 294.565 (Oregon Budget Law).

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2021 consisted of the following:

Petty Cash	\$ 275
Deposits with financial institutions	121,964
Deposits with Klamath County	8,649
Deposit in LGIP	<u>29,538,024</u>
Subtotal	29,668,912
Less: Restricted investments (system development)	<u>(1,663,921)</u>
Total unrestricted cash and cash equivalents	<u>\$ 28,004,991</u>

State statutes and the District's investment policy govern the District's cash management policies and authorize the District to invest in U.S. Government Treasury obligations, and obligations of the United States and its agencies and instrumentalities, collateralized repurchase agreements, collateralized certificates of deposit and government pools.

The District's Investment Policy limits the maximum percent of callable securities to 20% of the total portfolio. The District does not currently have callable securities. The District had two bonds mature, one on October 15, 2020 and one on January 15, 2021. The District currently has no investments outside of the Oregon LGIP.

The District's Investment Policy states the maximum portfolio weighted average maturity (measured with stated final maturity) shall be 2.5 years.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – (continued)

State statutes and the District's investment policy govern the District's cash management policies and authorize the District to invest in U.S. Government Treasury obligations, and obligations of the United States and its agencies and instrumentalities, collateralized repurchase agreements, collateralized certificates of deposit and government pools.

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Level 1 are values based on institutional bond quotes – evaluations based on various market and industry inputs. The District does not currently hold any Level 1 investments.

Level 2 are valued using the following approaches: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable for an asset. The District's US government agency mortgage-backed pools are based on mortgage-backed securities pricing, with evaluations based on various market and industry inputs. The District does not currently hold any Level 2 investments.

Level 3 inputs are unobservable and should reflect the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. The District does not currently hold any Level 3 investments.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2021.

INTEREST RATE RISK – In accordance with its investment policy, the District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities or short-term investment pools.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – (continued)

Fair Value of Investments – (continued)

CREDIT RISK – In accordance with its investment policy, the District will minimize the credit risk, the risk of loss due to the financial failure of the security issuer or backer, by limiting exposure to poor credits and concentrating the investments in the safest types of securities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the District will do business; diversifying the investment portfolio so potential losses on individual securities will be minimized; and actively monitor the investment portfolio holdings for ratings changes and changing economic/market conditions.

CONCENTRATION OF CREDIT RISK – The District diversifies its investments by security type, maturity, issuance, issuer and institution.

- 100% of the portfolio may be invested in US Treasury Obligations and US Agency Securities (33% per agency).
- 100% of the portfolio may be invested in the Oregon Short Term Fund up to the maximum allowed per ORS 294.810.
- 25% of the portfolio may be invested in bankers' acceptance, bank time deposits/savings, and certificate of deposits (25% per issuer).
- 15% of the portfolio may be invested in commercial paper (2.5% per issuer)
- 10% of the portfolio may be invested in corporate bonds (2.5% per issuer), and municipal debt.

At year end, more than eleven percent of the District's investments were held in the Federal Home Loan Bank, the Federal National Mortgage Association, and in the Federal Home Loan Mortgage Corporation. Such concentration is permitted by the District's Investment policy.

CUSTODIAL CREDIT RISK – For an investment, this is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. All investments were held by the District in its own name. The District does not have a policy addressing custodial credit risk.

Investments by the District in the State of Oregon Local Government Investment Pool (LGIP) are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. The fair value of the LGIP investment is determined annually based upon market value. The carrying value and fair value of the LGIP is \$29,538,024.

The LGIP is an external investment pool as defined in GASB Statement No. 31. The LGIP is governed by the Oregon Revised Statutes and the Oregon Investment Council and is not registered as an investment company with the U.S. Securities and Exchange Commission. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. The fair value of the LGIP is the same amount as the value of the LGIP shares.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – (continued)

Fair Value of Investments – (continued)

The LGIP holds certain derivatives to enhance return while managing the overall risk of the fund. These derivatives include asset-backed securities and floating rate notes of U.S. government securities. Securities held by the LGIP are not specifically identified to the District and are not categorized for risk purposes. The LGIP does not include any involuntary contributions. The LGIP is unrated.

ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the PFCP. State statutes require banks holding public funds to become members of the PFCP, a multiple financial institution collateral pool created by the

Deposit Insurance and Collateral

Cash includes cash on hand, petty cash, and bank deposits. Cash is covered by federal depository insurance (FDIC) or by Oregon Public Funds Collateralization Program (PFCP). Office of the State Treasurer (OST). To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount and type of collateral is set by statute, between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The financial institutions that the District utilizes participate in the FDIC. At June 30, 2021, bank balances up to \$250,000 were insured by the FDIC. Cash on deposit with Klamath County Treasurer is covered by a collateral pool managed by Klamath County. Cash on deposit with LGIP is covered by a collateral pool managed by the Office of the State Treasurer.

CUSTODIAL CREDIT RISK – For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. On June 30, 2021, all District deposits were fully insured.

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are certified each July to the Klamath County Assessor for collection that results in a lien on the property involved. Each month the District receives a portion of the roll's total taxes received. This percentage is calculated annually by taking the total amount the District certified and dividing this by the total amount on the Klamath County property tax for the year. Individuals are eligible to receive up to a 3% discount if they pay their tax bill by certain dates. This discount given reduces the amount due to the District. If an individual does not pay their tax bill by certain dates, they are charged interest. A portion of this interest goes to the State of Oregon to offset administrative fees. Of the remaining balance, the District will receive their percentage for that respective year.

When the taxes are collected, they are placed into a holding account and invested until they are distributed at the end of the month. The interest earned during this period is distributed in the same way as the interest charged on past-due payments.

Other receivables are amounts due from other agencies that were billed on June 30, 2021 for services provided for the month of June 2021. These amounts are currently not certified with Klamath County.

Accounts receivable on June 30, 2021 consisted of the following:

Accounts receivable at Klamath County	\$631,631
Other accounts receivable	77
Klamath County – Texum Pump	4,822
City of Klamath Falls – Texum Pump	4,821
Klamath County School – Henley	8,784
	<u>\$650,135</u>

NOTE 5 – CONTRACT COMMITMENTS

The District has active construction and professional service contracts as of June 30, 2021. The construction contract includes a sewer Line Rehabilitation Project. The professional service contracts include West Yost Associates for a Wastewater Facility Plan; Adkins Consulting Engineering, LLP for a Sewer Line Rehabilitation project; SHN Engineering for Design Standards.

At year-end the District's contract commitments were as follows:

Project	Remaining Commitment	Total Commitment
Sewer Line Rehabilitation Project	\$ 199,145	\$ 240,549
Professional service contracts	17,066	434,800
	<u>\$ 216,211</u>	<u>\$ 675,349</u>

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – CHANGES IN CAPITAL ASSETS

The District has an extensive investment in capital assets consisting of 1) Infrastructure - collection system and sewer mains, 2) the treatment plant with pumping stations, stabilization ponds and chlorination facility, 3) the headquarters office and shop and 4) office, pond, communication and construction equipment.

Following is a summary of changes in the capital assets and depreciation for the current fiscal year.

	Beginning Balance 7/01/2020	Additions & Transfers In	Deletions & Transfers Out	Ending Balance 6/30/2021
Capital assets not being depreciated:				
Easements & Right of ways	\$ 4,984			\$ 4,984
Construction in progress	2,746,291	1,445,321	(1,792,524)	2,399,088
Land	321,319	4,336,468		4,657,787
Totals	3,072,594	5,781,789	(1,792,524)	7,061,859
Capital assets being depreciated:				
Infrastructure	7,493,013	2,601,824		10,094,837
Infrastructure - Henley	1,916,798	-		1,916,798
Equipment & Buildings - N Poe Valley	-	1,765,194		1,765,194
Equipment – Highway 39	-	12,896		12,896
Treatment plant	12,427,947	146,755		12,574,702
Headquarters compound	792,822	-		792,822
Equipment	2,234,192	349,572	(11,085)	2,572,679
Totals	24,864,772	4,876,241	(11,085)	29,729,928
Accumulated Depreciation				
Infrastructure	(3,973,990)	(100,554)		(4,074,544)
Infrastructure-Henley	(474,851)	(55,896)		(530,747)
Equipment & Buildings - N Poe Valley	-	(56,540)		(56,540)
Equipment – Highway 39	-	(1,233)		(1,233)
Treatment plant	(5,461,820)	(389,807)		(5,851,627)
Headquarters compound	(488,261)	(31,261)		(519,522)
Equipment	(1,528,940)	(119,310)	11,085	(1,637,165)
Totals	(11,927,862)	(754,601)	11,085	(12,671,378)
Capital assets being depreciated, net	12,936,910	4,121,640	(1,792,524)	17,058,550
Total net capital assets	\$ 16,009,504	\$9,903,429	\$ (1,792,524)	\$ 24,120,409

NOTE 7 – LONG-TERM LIABILITY

The following is a summary of long-term liability transactions for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Amounts Due Within One Year
Net other post employment benefits obligation (Note 9)	\$ 37,197	\$ 42,832	\$ 37,197	\$ 42,832	\$ -
Net pension liability	1,389,057	1,916,602	1,389,057	1,916,602	-
Compensated absences	33,426	67,975	33,426	67,975	67,975
	<u>\$1,459,680</u>	<u>\$2,027,409</u>	<u>\$1,459,680</u>	<u>\$2,027,409</u>	<u>\$ 67,975</u>

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – PENSION PLAN

General Information about the Pension Plan

Plan Description

Employees of the District are provided with pensions through the Oregon Public Employee Retirement Fund (TIER1/TIER2) which is a cost-sharing multiple-employer defined benefit pension plan for qualifying employees hired before August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to Tier1/Tier2 consisting of two programs: a defined benefit pension plan and a defined contribution program (the Individual account Program or IAP. Oregon Public Employer Retirement System (OPERS) issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

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

Benefits Provided

1. Tier One/Tier Two Retirement Benefit Chapter 238

Pension Benefits

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with the participating employer.

General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

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

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

Death Benefits – (continued)

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

Disability Benefits

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

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

2. OPSRP Pension Program (OPSRP DB) – (continued)

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefit

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

3. OPSRP Individual Account Program (OPSRP IAP) – (continued)

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019.

Employer contributions for the year ended June 30, 2021 were \$176,355, excluding amounts to fund employer specific liabilities. The rates in effect for fiscal year ended June 30, 2021 were 25.64 percent for Tier One/Tier Two General Service Member, 18.12 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program (paid by employer).

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

At June 30, 2021, the District reported a liability of \$1,916,602 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. OPERS has established side accounts for employers that made lump sum payments to the plan in excess of their actuarially required contributions. Since different contribution rates are assessed to employers based on the value of the side accounts, the side account values were reflected separately in the proportionate share calculation. At June 30, 2020, the District's proportion was .00878231 percent, which is higher from its proportion of .00803034 percent measured as of June 30, 2019.

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (continued)

For the year ended June 30, 2021, the District recognized pension expense of \$427,613. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,354	\$ -
Changes in assumptions	102,858	3,604
Net difference between projected and actual earnings on pension plan investments	225,368	-
Changes in proportion and differences between District contributions and proportionate share of contributions	90,953	85,888
District contributions subsequent to the measurement date	176,164	-
Total	\$ 679,697	\$ 89,492

\$176,164 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year ended June 30:</u>
2022	\$ 85,045
2023	115,941
2024	114,741
2025	92,061
2026	6,253
Thereafter	-
Total	\$414,041

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

Actuarial Assumptions

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

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

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018 rolled forward to June 30, 2020
Measurement date	June 30, 2020
Experience Study Report	2018, published July 24, 2019
Actuarial Assumptions:	
Actuarial cost method	Entry Age Normal
Inflation Rate	2.50 percent
Investment Rate of Return	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation</p> <p>Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

Actuarial Assumptions – (continued)

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

Changes Subsequent to the Measurement Date

GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the Employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

Long-Term Expected Rate of Return

Asset Class	Target Allocation%	Annual Arithmetic Return	20-Year Annualized % Geometric Mean	Annual Standard Deviation
Core Fixed Income	9.60	4.14	4.07	3.90
Short-Term Bonds	9.60	3.70	3.68	2.10
Bank/Leveraged Loans	3.60	5.40	5.19	6.85
High Yield Bonds	1.20	6.13	5.74	9.35
Large Cap/Mid Cap US Equities	16.17	7.35	6.30	15.50
Small Cap US Equities	1.35	8.35	6.68	19.75
Micro Cap US Equities	1.35	8.86	6.79	22.10
Developed Foreign Equities	13.48	8.30	6.91	17.95
Emerging Foreign Equities	4.24	10.35	7.69	25.35
Non-US Small Cap Entities	1.93	8.81	7.25	19.10
Private Equity	17.50	11.92	8.33	30.00
Real Estate (Property)	10.00	6.19	5.55	12.00
Real Estate (REITS)	2.50	8.29	6.69	21.00
Hedge Fund of Funds – Diversified	1.50	4.28	4.06	6.90
Hedge Fund – Event-driven	38.00	5.89	5.59	8.10
Timber	1.13	6.36	5.61	13.00
Farmland	1.13	6.87	6.12	13.00
Infrastructure	2.25	7.51	6.67	13.85
Commodities	1.13	5.34	3.79	18.70
Assumed Inflation - Mean			2.50	1.65

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgement.

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

Depletion Date Projection – (continued)

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

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

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

Discount Rate

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset)	\$ 2,845,996	\$ 1,916,602	\$ 1,137,262

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – PENSION PLAN – (continued)

Pension Plan Fiduciary Net Position

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

NOTE 9 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS OBLIGATION (OPEB)

OPEB for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan.

Financial Statement Presentation

The District’s two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements related to the plans is as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	\$ -	\$ 8,740	\$ 8,740
Deferred Outflows of Resources			
Difference in Earnings		972	972
Change in Assumptions	5,998	-	5,998
Change in Proportionate Share		3,531	3,531
Contributions After the Measurement Date	1,271	461	1,732
Total	7,269	4,964	12,233
Total OPEB Liability	42,832		42,832
Deferred Inflows of Resources			
Difference between expected and actual	908	893	1,801
Change in Proportionate Share	-	249	249
Change in Assumptions	1,239	465	1,704
Difference in Earnings		-	-
Total	2,147	1,607	3,754
OPEB Expense included in financial statements	4,363	210	4,573

IMPLICIT RATE SUBSIDY

Plan Description

The District’s single-employer defined benefit healthcare plan is administered by Special Districts Insurance Services (SDIS). SDIS provides medical and dental benefits for eligible retirees and their spouses, which covers both active and qualified retired members and their spouses until the employee retires. Benefit provisions are established by the Board of Directors.

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS OBLIGATION (OPEB) (continued)

Plan Description – (continued)

Oregon Revised Statute 243.303 provides that retirees may elect within 60 days after the effective date of retirement to participate in the coverage and at the option of the retiree, the spouse and any unmarried children under 18 years of age. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2020

7, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	1
Active employees	<u>12</u>
	<u>13</u>

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District's total OPEB liability of \$42,832 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

For the fiscal year ended June 30, 2021, the District recognized OPEB expense from this plan of \$4,363. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	\$ 5,998	\$ 908
Changes of assumptions	-	1,239
Contributions subsequent to the measurement date	1,271	-
Total	\$ 7,269	\$ 2,147

Deferred outflows of resources related to OPEB of \$5,142 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ 432
2023	432
2024	432
2025	432
2026	432
Thereafter	1,506

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS OBLIGATION (OPEB) (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary increases	3.5 percent
Healthy mortality	RP-2014 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount rate	2.21 percent (change from 3.87 percent in Previous measurement period.)
Healthcare cost trend rate	Medical and vision: ranging from 6.00% In 2020 to 4.00% in 2072
	Dental: 4.00 percent per year

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of June 30, 2020	\$ 37,197
Changes for the year:	
Service cost	2,546
Interest on Total OPEB Liability	1,385
Effect of economic/demographic gains and losses	
Effect of assumptions changes or inputs	2,057
Benefit payments	<u>(353)</u>
Balance as of June 30, 2021	<u>\$ 42,832</u>

Changes in assumptions are the result of the change in the discount rate from 3.87 percent to 2.21 percent.

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS OBLIGATION (OPEB) (continued)

Sensitivity of the Total OPEB Liability

The following presents the District’s total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage-point lower (1.21 percent) or one percentage-point higher (3.21 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1 % Increase</u>
Total OPEB liability	\$ 45,707	\$ 42,832	\$ 40,070
Healthcare Cost Trends:	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1 % Increase</u>
Total OPEB liability	\$ 38,403	\$ 42,832	\$ 47,979

OPERS RETIREMENT HEALTH INSURANCE ACCOUNT

Plan Description

The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at

http://Oregon.gov/PERS/section/financial_reports/financials.shtml

Benefits Provided

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

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS OBLIGATION (OPEB) (continued)

Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. The District's contribution rates for the period were 0.06% for Tier One/Tier Two members, and 0.0% for OPSRP members. The District's total for the year ended June 30, 2021 contributions were \$461.

OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the District reported an asset of \$ 8,740 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2020, the District's proportionate share was 0.00429%, which is a decrease from its proportion of 0.00775% measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense from this plan of \$210.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 893
Changes of assumptions		465
Net difference between projected and actual earnings	972	-
Changes in proportionate share	3,531	249
Contributions subsequent to the measurement date	461	-
Total	\$ 4,964	\$ 1,607

Deferred outflows of resources related to OPEB of \$461 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2022.

SOUTH SUBURBAN SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS OBLIGATION (OPEB) (continued)

Other amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ 763
2023	1,467
2024	359
2025	307
2026	<u>-</u>
Total	\$ 2,896

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial methods and assumptions:

Mortality rates for healthy retirees and beneficiaries were based on the PUB-2010 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Mortality rates for active members were based on a percentage of healthy retiree rates that vary by group, as described in the valuation. Mortality rates for disabled retirees were based on a percentage (70% for males, 95% for females) of the PUB-2010 Sex-distinct, generational per Scale BB, disabled mortality table.

All other actuarial methods and assumptions are consistent with those disclosed for the OPERS Pension Plan. See Note 8 for additional information on Actuarial Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

Sensitivity of the District’s proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District’s proportional share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1 % Increase</u>
Net OPEB liability (Asset)	\$ (7,056)	\$ (8,740)	\$ (10,180)

Changes in Plan Provisions Subsequent to Measurement Date

There are no known changes in plan provisions subsequent to the measurement date of June 30, 2020 that would have a significant effect on the net OPEB asset.

SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss during its ordinary course of business including losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To mitigate the risk of loss, various commercial insurance policies have been purchased and are reviewed for adequacy by management annually. There have been no significant changes in coverage nor have any settlements exceeded insurance coverage in the past three years.

The District participates in the Special District Insurance Services (SDIS) formed in 1985 by the Special Districts Association of Oregon. SDIS is a public entity risk pool currently operating as a common risk management and insurance program for approximately 900 special districts in the State of Oregon. SDIS is self-sustaining through member contributions and reinsures through commercial companies for the excess of certain claim amounts. The District has a claim upon cash balances held on its behalf by SDIS, but the amount cannot be determined. Claim liabilities of the District within SDIS, if any, also cannot be determined.

The District pays an annual premium to SDIS for its liability, property, automobile physical damage, and workers' compensation insurance. SDIS is self-sustaining through member premiums but reinsures through commercial companies for property and liability coverage. Insurance coverage for the year ended June 30, 2021 was the same or greater than in prior years. No losses were incurred during the year ended June 30, 2021. The insurance program includes the "normal" coverages subject to nominal deductibles for commercial, auto, property, liability, workers' compensation, etc., as well as staff bonding, director and officer liability, expenses for effluent spills from collection system infrastructure and pump stations and computer systems.

The District retains the risk for the payment of state unemployment compensation and is invoiced for eligible former District employees quarterly by the state employment department.

Each year the District appropriates funds to meet the estimated obligation. No claims were paid during the year ended June 30, 2021 with no outstanding liability at year-end.

NOTE 11 – UNEARNED LEASE INCOME

The District reports unearned lease income on its Statement of Net Position. Unearned lease income is recorded when funds are received by the District before it has a legal claim to them, as when lease funds are received prior to the incurrence of earned revenue. In subsequent periods, when the District has a legal claim to the funds, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

The balance includes the following at June 30, 2021:

Unearned Lease Income	\$1,312
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SOUTH SUBURBAN SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 12 – SYSTEM DEVELOPMENT RESTRICTED FUNDS

In compliance with ORS 223.297 to 223.314 (System Development Act of 1989), the District restricts cash received from systems development fees for expenditure on capital improvements. For the year ended June 30, 2021, \$92,192 was received for system development. As of June 30, 2021, the District has \$1,663,921 restricted for system development.

NOTE 13 – NEW GASB PRONOUNCEMENTS

The District implemented the following pronouncements during the current fiscal year:

1. Statement No. 84, Fiduciary Activities. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. Implementation had no material effect on the District's financial statements.
2. Statement No. 90, Majority Equity Interests. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. Implementation had no material effect on the District's financial statements.
3. Statement No. 98, The Annual Comprehensive Financial Report. This statement replaces an existing term but does not otherwise establish new accounting and financial reporting requirements.

For the original pronouncements, please visit the GASB's website www.gasb.org

NOTE 14 – SUBSEQUENT EVENT

In March of 2020 the World Health Organization declared a world-wide pandemic due to the COVID-19 virus. The pandemic has caused widespread disruption to the economies of the United States and Oregon. The financial impact of COVID-19 is expected to continue, but the duration and severity is unknown. The District is unable to estimate the financial impact COVID-19 will have at this time. The District received Covid Relief Funds of \$47,151, which was used to offset the additional costs due to Covid.

The District is currently on a compliance schedule with DEQ to meet final effluent limitations contained in its new National Pollutant Discharge Elimination System (NPDES) permit effective on November 1, 2020, for Total Ammonia, Total Residual Chlorine, Total Nitrogen, Total Phosphorus, Total Mercury, Excess Thermal Load and BOD's.

The District has until February 1, 2026 to complete all improvements and achieve compliance with the final effluent limits of the permit. Currently the District consultant is in the process of updating the District Facility Plan. At the current time the cost for modifications to meet NPDES permit cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year ended June 30, 2021

Year Ended June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.00878231%	\$ 1,916,602	\$ 875,052	219.03%	78.50%
2020	0.00803034%	1,389,057	879,683	157.90%	80.20%
2019	0.00850528%	1,288,438	861,021	149.64%	82.10%
2018	0.00895605%	1,207,279	741,802	162.75%	83.10%
2017	0.00888330%	1,333,590	774,660	172.15%	80.50%
2016	0.00999330%	553,584	739,542	74.85%	91.90%
2015	0.01021934%	(231,643)	692,461	-33.45%	103.60%
2014	0.01021934%	521,508	676,013	77.14%	91.97%

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2021	\$ 176,164	\$ 176,164	\$ -	\$ 875,052	20.13%
2020	178,600	178,600	-	879,683	20.30%
2019	136,417	136,417	-	861,021	15.84%
2018	118,750	118,750	-	741,802	16.01%
2017	95,826	95,826	-	774,660	12.37%
2016	94,418	94,418	-	739,542	12.77%
2015	74,250	74,250	-	692,461	10.72%
2014	71,701	71,701	-	676,013	10.61%

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

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

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF
NET OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
Year ended June 30, 2021

Year Ended June 30,	(a) District's proportion of the net OPEB liability (asset)	(b) District's proportionate share of the net OPEB liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.00775079%	\$ (8,740)	\$ 875,052	-1.00%	150.10%
2020	0.00688438%	(14,977)	879,683	-1.70%	144.35%
2019	0.00688438%	(7,685)	861,021	-0.89%	124.93%
2018	0.00704000%	(2,938)	741,802	-0.40%	108.90%
2017	0.00757007%	2,056	774,660	0.27%	94.20%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Statutory Required Contributions	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 142	\$ 142	\$	\$ 875,052	0.02%
2020	306	306		879,683	0.03%
2019	3,841	3,841		861,021	0.45%
2018	3,333	3,333		741,802	0.45%
2017	3,505	3,505		774,660	0.45%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
Year ended June 30, 2021

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 2,546	\$ 1,754	\$ 1,740	\$ 1,845	N/A
Interest on Total OPEB liability	1,385	1,343	1,363	1,206	N/A
Effects of economic/demographic gains or losses	0	(1,174)			
Effect of assumptions changes or inputs	2,057	5,403	(633)	(1,660)	N/A
Benefit payments	(353)	(6,085)	(5,653)	(5,423)	N/A
Net change in total OPEB liability	5,635	1,241	(3,183)	(4,032)	N/A
Total OPEB liability, beginning	37,197	35,956	39,139	43,171	N/A
Total OPEB liability, ending (a)	<u>42,832</u>	<u>37,197</u>	<u>35,956</u>	<u>39,139</u>	<u>43,171</u>
Covered-employee payroll	\$ 875,052	\$ 879,683	\$ 861,021	\$ 741,802	\$774,660
Total OPEB liability - ending as a percentage of covered-employee payroll	4.89%	4.23%	4.18%	5.28%	5.57%

Notes to Schedule:

Schedule Presentation: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

OTHER SCHEDULES

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-CASH BASIS

JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sewer service charges	\$ 4,715,339	\$ 4,715,339	\$ 4,704,418	\$ (10,921)
System development fees	76,369	76,369	133,958	57,589
Texum	28,947	28,947	17,240	(11,707)
Henley school services	17,596	17,596	13,415	(4,181)
Interest and penalties	21,543	21,543	30,003	8,460
Interest on investments	513,000	513,000	246,483	(266,517)
Gain on Disposal of Assets	-	-	1,976	1,976
Lease Income	2,484	2,484	37,349	34,865
Solar Power	-	-	54,053	54,053
Grants	250,000	250,000	299,651	49,651
Miscellaneous	24,780	24,780	31,354	6,574
Total revenues	5,650,058	5,650,058	5,569,900	(80,158)
EXPENSES				
Administration				
Personal services	398,904	398,904	421,715	(22,811)
Contract & Material Services	68,133	68,133	33,756	34,377
Capital Outlay	-	-	-	-
Total Administration*	467,037	467,037	455,471	11,566
Wastewater Collection				
Personal services	628,272	628,272	499,364	128,908
Contract & Material Services	251,509	251,509	171,784	79,725
Capital Outlay	2,339,573	2,339,573	2,138,807	200,766
Total Wastewater Collection*	3,219,354	3,219,354	2,809,955	409,399
Wastewater Treatment				
Personal services	272,310	272,310	217,160	55,150
Contract & Material Services	529,659	529,659	580,153	(50,494)
Capital Outlay	9,677,489	9,677,489	7,182,904	2,494,585
Total Wastewater Treatment*	10,479,458	10,479,458	7,980,217	2,499,241

*Legally adopted appropriation level

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-CASH BASIS

JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating contingency*	1,484,069	1,484,069	-	1,484,069
Unappropriated and Reserves	26,628,137	26,628,137	-	26,628,137
 Total other expenses	 28,112,206	 28,112,206	 -	 28,112,206
Total expenses	42,278,055	42,278,055	11,245,643	31,032,412
Net change in fund balance	(36,627,997)	(36,627,997)	(5,675,743)	30,952,254
Fund balance at beginning of year	36,627,997	36,627,997	42,801,163	6,173,166
Fund balance at end of year	\$ -	\$ -	\$ 37,125,420	\$ 37,125,420

Reconciliation of budgetary basis to GAAP basis:

Net change in fund balance, budgetary basis (5,675,743)

Add/(deduct):

Service revenues accrued, net discounts	(197,799)
Texum	17,603
Henley School Service	6,827
Interest and penalties accrued	141,563
Refunds and miscellaneous	(2,216)
Investment interest income accrued	(409)
Lease income	(38)
Grants	(250,000)
Solar power income	7,271
Selling expenses on disposal of assets	(683,120)
Capital outlay expense capitalized	9,321,711
System development fees	(41,766)
Donated capital assets	24,952
Depreciation	(754,600)
Accrued expense	73,315
Payroll expense accrued	(39,217)
Pension expense/(income)	(254,208)

Change in net position, GAAP basis

1,694,126

SOUTH SUBURBAN SANITARY DISTRICT
 SCHEDULE OF DELINQUENT LIEN COLLECTIONS WITH TAX COLLECTOR
 JUNE 30, 2021

	Prior Years	2020-2021	Total All Years
Uncollected balances - July 1, 2020	\$ 677,321		677,321
Adjustment due to discount	(31,546)		(31,546)
Certification, June 30, 2021		590,087	590,087
Total to account for	645,775	590,087	1,235,862
Less amount collected	(604,231)		(604,231)
 Uncollected balance - June 30, 2021	 \$ 41,544	 \$ 590,087	 \$ 631,631

STATE OF OREGON COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT
Required by Oregon State Regulations

We have audited the basic financial statements of the South Suburban Sanitary District as of and for the year ended June 30, 2021, and have issued our report thereon dated February 16, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the South Suburban Sanitary District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- ◆ Deposits of public funds with financial institutions (ORS Chapter 295).
- ◆ Indebtedness limitations and restrictions.
- ◆ Budgets legally required (ORS Chapter 450 and 294).
- ◆ Insurance and fidelity bonds in force or required by law.
- ◆ Programs funded from outside sources.
- ◆ Authorized investment of surplus funds (ORS Chapter 294).
- ◆ Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).

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

ORS 279B.070 requires that a contract for goods or services of more than \$10,000 but less than \$150,000 be procured by obtaining at least three competitive quotes or proposals, and that a written record must be kept of the efforts. The District did not adequately document the procurement process for a contract executed during the year under audit.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered South Suburban Sanitary District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management of the South Suburban Sanitary District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

WISE & CO., LLP



Dianne E. Spires, Director
February 16, 2022