

Deschutes Valley Water District

FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

Years Ended June 30, 2025 and 2024



DESCHUTES VALLEY WATER DISTRICT
Financial Statements with Supplemental Information
 Years Ended June 30, 2025 and 2024

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Tom Jaca	Vice Chairman
Jo Guiney	Treasurer
Dana Oppenlander	Secretary
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Manager
 Joel Gehrett

Board Meeting – Second Monday of Each Month
 Registered Agent – Joel Gehrett
 Registered Office – 881 SW Culver Hwy, Madras, Oregon 97741

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Deschutes Valley Water District
Madras, Oregon

Opinions

We have audited the accompanying financial statements of the water and hydroelectric funds of Deschutes Valley Water District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Deschutes Valley Water District as of June 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the District's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2024. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2024, is consistent in all material respects with the audited financial statements from which it has been derived.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8, the schedule of District's proportionate share of net pension liability (asset) on page 36, and the schedule of District contributions on page 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenditures, and changes in working capital – budget and actual on pages 39 through 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of revenues, expenditures, and changes in working capital – budget and actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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

In accordance with the *Minimum Standards for Auditors of Oregon Municipal Corporations*, we have also issued our report dated October 20, 2025, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Aldrich CPAs + Advisors LLP

By:

Amy Fenerty

Amy Fenerty, CPA, Partner
Salem, Oregon
October 20, 2025

DESCHUTES VALLEY WATER DISTRICT

Management's Discussion and Analysis

June 30, 2025 and 2024

Management's discussion and analysis of Deschutes Valley Water District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. The analysis should be considered in conjunction with the District's basic financial statements and notes.

Financial Highlights

- The District's net position increased \$392,293 at June 30, 2025.
- The District has \$40,148,040 invested in capital assets, net of accumulated depreciation.
- 99 new services were added to the system this year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Deschutes Valley Water District's basic financial statements. The District's basic financial statements consist of the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. This report also contains an introductory section and supplemental information in addition to the basic financial statements.

The District is a self-supporting entity and follows enterprise fund reporting. The financial statements are designed to provide readers with a broad overview of Deschutes Valley Water District's finances, in a manner similar to a private-sector business.

The statements of net position present information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decreases in net position may serve as useful indicators of whether the District's financial position is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how net position changed during the most recent fiscal year. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Schedules of the District's proportionate share of net pension liability (asset) and the District's contributions are included in the required supplemental information section of this report and provide detailed information about the District's pension liability (asset) and contributions for the past 10 years.

Budgetary fund statements are included in the supplemental information section of this report to demonstrate compliance with Oregon Local Budget Law. The supplemental information can be found on pages 39 through 42 of this report. These statements provide detailed information about the District's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance and budgetary legal requirements.

DESCHUTES VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

June 30, 2025 and 2024

System Analysis

The District conducted general maintenance and improvements of the distribution system based on District needs. Consistent investment in the distribution system year over year is needed in order to meet the current and future system demands. Development and community growth play a heavy role in system expansion and improvements.

Financial Policies and Controls

The Board of Commissioner's financial management system consists of financial policies, financial management strategies, and the internal control structure including biennial budgets and an annual audit of its financial statements. The Board has the exclusive right to determine rates and charges for services provided. Hydroelectric revenue has traditionally been used for the capital improvement of the water system. Hydroelectric revenues have funded many of the District's large capital projects including the fish ladder, 24-inch transmission main and 4 MG tank installation. As revenue from hydroelectric sales increase during the next 15-year power purchase agreement, excess revenue will fund additional capital projects.

Overview of Financial Performance

The District's financial performance is highly influenced by hydroelectric revenue and domestic water receipts. The District sells 100% of the hydroelectric power to Pacific Power. The current power sale agreement went into effect in January 2021 and extends to 2035. This year, hydroelectric revenue was \$977,000. Hydro revenues will increase by an average of 6% over the first seven years of the contract and then will jump substantially in year seven, by 50%. Water revenues for 2025 increased compared to 2024 due to an increase in number of customers, a warmer end of the year than in 2024. Generally, a very wet year in precipitation will result in lower domestic water receipts, but higher in hydroelectric revenue. By the same token, a very dry year will result in higher domestic water receipts but lower hydroelectric revenue.

This fiscal year there were 99 new water service installations, which is in line with the average over the last five years. New construction starts have been affected by higher interest rates and a generally cooling demand trend.

Fiscal Year 2025 Budget Results

The District has a biennial budget, and fiscal year 2024-2025 is the first year of the biennial budget. See the supplemental information for detailed schedules of budget to actual variances for the fiscal year. The water and hydro fund personal services, materials and services, and capital outlay expense categories were all under budget.

Economic Factors and Next Year's Budget and Rates

Hydroelectric revenue subsidizes water infrastructure improvements and subsequently patrons experience some of the lowest water rates in the area and the state. However, economic factors including increases to the Oregon Public Employees Retirement System (OPERS) and insurance along with general inflation have impacted expenses to the point that water rates no longer support expenses. The Board has been asked to consider regular smaller rate increases to offset increased expenses and to lower the effects of a single larger rate increase in the future.

Jefferson County continues to attract new development. In addition to housing starts there has also been recent commercial and industrial development activity that would also impact water supply to the area. A large development in Culver that has been in design and preconstruction activity for several years has finally broken ground and the first few of an eventual 250 homes have been started.

The River Turbine continues to operate year-round; however, FY2025 experienced increased wet weather runoff, swelling the Crooked River and changing the head conditions for the turbine. The turbine could not operate under these high head conditions and was offline for several weeks this year, increasing the cost of electrical power for pumping. The turbine will continue to operate for a few more years (through 2027) before being switched off and preserved in standby mode while the bulk of the project water is used to generate electrical power which can be sold at a higher price than bought.

DESCHUTES VALLEY WATER DISTRICT
Management's Discussion and Analysis, continued
June 30, 2025 and 2024

The District continues to identify cost saving and capital improvement projects intended to limit water rate increases while keeping the District's infrastructure viable into the foreseeable future.

Capital Assets

As of June 30, 2025, the District has approximately \$40 million invested in capital assets. A summary of utility plant in service and under construction is shown as follows:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Land and Water Rights	\$ 837,238	\$ 837,238	\$ -
Utility Plant, net	39,052,582	39,485,367	(432,785)
Construction in Progress	<u>258,220</u>	<u>142,387</u>	<u>115,833</u>
Total Utility Plant, net	<u>\$ 40,148,040</u>	<u>\$ 40,464,992</u>	<u>\$ (316,952)</u>

Analysis of the Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position show the financial results of activities for any given fiscal year. These statements measure the success of the District's operations during the last year and may be used to determine whether all of its costs have been successfully recovered.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Operating Revenues:			
Electric power and renewable energy credits	\$ 976,820	\$ 989,708	(1.3%)
Water sales	3,273,016	3,204,301	2.1%
Other	<u>222,585</u>	<u>196,029</u>	<u>13.5%</u>
Total Operating Revenues	4,472,421	4,390,038	1.8%
Operating Expenses	<u>6,216,902</u>	<u>5,479,430</u>	<u>13.5%</u>
Operating Loss	(1,744,481)	(1,089,392)	60.1%
Nonoperating Revenues, net	<u>1,484,007</u>	<u>888,486</u>	<u>67.0%</u>
Deficit Before Capital Contributions	(260,474)	(200,906)	29.6%
Capital Contributions	<u>652,767</u>	<u>599,297</u>	<u>8.9%</u>
Change in Net Position	392,293	398,391	(1.5%)
Net Position, beginning	<u>62,490,081</u>	<u>62,091,690</u>	<u>0.6%</u>
Net Position, ending	<u>\$ 62,882,374</u>	<u>\$ 62,490,081</u>	<u>0.6%</u>

The District's operating revenues increased \$82,383 in 2025 compared to 2024 primarily due to an increase in water sales from the results of a warmer end of year and an increase in customers compared to 2024.

The District's operating expenses increased \$737,472 primarily due to recording the termination benefits for the retirement of three District employees. There was also an increase in electric power for Opal Springs and M&R&O labor.

The District's nonoperating revenues increased \$595,521 in 2025 due to investment income and the District receiving insurance proceeds for repairing the pumphouse. The District received \$160,337 in insurance proceeds during 2025 included in nonoperating revenues, net. The District had unrealized gains of \$465,229 on its investments in 2025, which are based on market performance, compared to unrealized investment gain of \$54,699 in 2024. The District also had an increase in interest and dividends on investments in 2025 compared to 2024, receiving \$781,518 during 2025 (\$756,864 in 2024).

DESCHUTES VALLEY WATER DISTRICT
Management's Discussion and Analysis, continued
June 30, 2025 and 2024

Analysis of the Statements of Net Position

The statements of net position include all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amount of investments in resources (assets) and the obligations (liabilities) of the District. This statement also provides the basis for assessing the District's capital structure, liquidity, and financial flexibility.

Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Current Assets	\$ 24,641,301	\$ 23,805,642	3.5%
Restricted Cash - Customer Deposits and Construction Use Only	670,002	521,921	28.4%
Utility Plant, net	<u>40,148,040</u>	<u>40,464,992</u>	<u>(0.8%)</u>
Total Assets	65,459,343	64,792,555	1.0%
Deferred Outflows of Resources	<u>2,426,984</u>	<u>2,083,643</u>	<u>16.5%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 67,886,327</u>	<u>\$ 66,876,198</u>	<u>1.5%</u>
Current Liabilities	\$ 599,097	\$ 569,860	5.1%
Net Pension Liability	3,044,063	2,567,783	18.5%
Unearned Revenues	538,462	615,385	(12.5%)
Early Retirement Incentive	<u>466,578</u>	<u>94,511</u>	<u>393.7%</u>
Total Liabilities	<u>4,648,200</u>	<u>3,847,539</u>	<u>20.8%</u>
Deferred Inflows of Resources	<u>355,753</u>	<u>538,578</u>	<u>(33.9%)</u>
Invested in Capital Assets	40,148,040	40,464,992	(0.8%)
Unrestricted Net Position	<u>22,734,334</u>	<u>22,025,089</u>	<u>3.2%</u>
Total Net Position	<u>62,882,374</u>	<u>62,490,081</u>	<u>0.6%</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 67,886,327</u>	<u>\$ 66,876,198</u>	<u>1.5%</u>

The District's financial position increased in 2025 with an increase in net position of \$392,293. The District's net position has been impacted by an increase in unrealized gains on investments and an increase in interest income on investments, partially offset by the increased operating expenses. In addition, the statements of net position reflect the deferred outflows of resources and deferred inflows of resources related to the pension plan. See Note 4 to the financial statements.

DESCHUTES VALLEY WATER DISTRICT
Management’s Discussion and Analysis, continued
June 30, 2025 and 2024

Analysis of the Statements of Cash Flows

The statements of cash flows provide information regarding the District’s cash receipts and disbursements during the year. This statement differs from the statement of revenues, expenses, and changes in net position as it accounts for only transactions that result in cash receipts and cash disbursements.

Condensed Statements of Cash Flows

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Beginning cash	\$ 967,566	\$ 1,129,272	\$ (161,706)
Cash provided (used) by operating activities	10,492	355,315	(344,823)
Cash used by capital and related financing activities	(439,035)	(507,845)	68,810
Cash used by investing activities	<u>470,664</u>	<u>(9,176)</u>	<u>479,840</u>
Ending cash	<u>\$ 1,009,687</u>	<u>\$ 967,566</u>	<u>\$ 42,121</u>

The District’s overall cash position continues to be solid.

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report should be addressed to Joel Gehrett, P.E., General Manager, 881 SW Culver Highway, Madras, Oregon 97741.

DESCHUTES VALLEY WATER DISTRICT

Statements of Net Position

June 30, 2025 and 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>Water</u>	<u>Hydroelectric</u>	<u>2025 Total</u>	<u>2024 Total (Memo Only)</u>
Current Assets:				
Cash	\$ 513,845	\$ 495,842	\$ 1,009,687	\$ 967,566
Investments	5,216,838	17,021,417	22,238,255	21,610,253
Accounts receivable, less allowance for uncollectible accounts of \$4,000	440,036	156,720	596,756	556,535
Due from water fund	-	9,358	9,358	-
Materials and supplies	555,943	133,899	689,842	581,713
Prepaid expenses	<u>47,934</u>	<u>49,469</u>	<u>97,403</u>	<u>89,575</u>
Total Current Assets	<u>6,774,596</u>	<u>17,866,705</u>	<u>24,641,301</u>	<u>23,805,642</u>
 Restricted cash - customer deposits and construction use only	 <u>670,002</u>	 <u>-</u>	 <u>670,002</u>	 <u>521,921</u>
Utility Plant:				
Property, plant, and equipment	42,597,303	28,519,996	71,117,299	69,980,993
Less accumulated depreciation	<u>(19,131,226)</u>	<u>(12,096,253)</u>	<u>(31,227,479)</u>	<u>(29,658,388)</u>
	23,466,077	16,423,743	39,889,820	40,322,605
Construction in progress	<u>258,220</u>	<u>-</u>	<u>258,220</u>	<u>142,387</u>
Total Utility Plant, net	<u>23,724,297</u>	<u>16,423,743</u>	<u>40,148,040</u>	<u>40,464,992</u>
Deferred Outflows of Resources:				
Deferred pension costs	<u>1,719,619</u>	<u>707,365</u>	<u>2,426,984</u>	<u>2,083,643</u>
Total Deferred Outflows of Resources	<u>1,719,619</u>	<u>707,365</u>	<u>2,426,984</u>	<u>2,083,643</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 32,888,514</u>	 <u>\$ 34,997,813</u>	 <u>\$ 67,886,327</u>	 <u>\$ 66,876,198</u>

DESCHUTES VALLEY WATER DISTRICT

Statements of Net Position, continued

June 30, 2025 and 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>Water</u>	<u>Hydroelectric</u>	<u>2025 Total</u>	<u>2024 Total (Memo Only)</u>
Current Liabilities:				
Accounts payable	\$ 216,567	\$ 32,354	\$ 248,921	\$ 149,686
Compensated absences	72,089	83,175	155,264	253,437
Accrued expenses	64,054	17,444	81,498	87,688
Customer deposits	65,115	-	65,115	55,660
Service installation deposits	38,941	-	38,941	23,389
Due to hydro fund	9,358	-	9,358	-
Total Current Liabilities	<u>466,124</u>	<u>132,973</u>	<u>599,097</u>	<u>569,860</u>
Non-Current Liabilities:				
Net pension liability	2,155,654	888,409	3,044,063	2,567,783
Unearned revenue	-	538,462	538,462	615,385
Early retirement incentive	466,578	-	466,578	94,511
Total Non-Current Liabilities	<u>2,622,232</u>	<u>1,426,871</u>	<u>4,049,103</u>	<u>3,277,679</u>
Deferred Inflows of Resources:				
Pension contributions	252,300	103,453	355,753	538,578
Total Deferred Inflows of Resources	<u>252,300</u>	<u>103,453</u>	<u>355,753</u>	<u>538,578</u>
Net Position:				
Investment in capital assets	23,724,297	16,423,743	40,148,040	40,464,992
Unrestricted	5,823,561	16,910,773	22,734,334	22,025,089
Total Net Position	<u>29,547,858</u>	<u>33,334,516</u>	<u>62,882,374</u>	<u>62,490,081</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 32,888,514</u>	<u>\$ 34,997,813</u>	<u>\$ 67,886,327</u>	<u>\$ 66,876,198</u>

DESCHUTES VALLEY WATER DISTRICT**Statements of Revenues, Expenses, and Changes in Net Position**

Years Ended June 30, 2025 and 2024

	<u>Water</u>	<u>Hydroelectric</u>	<u>2025 Total</u>	<u>2024 Total (Memo Only)</u>
Operating Revenues:				
Electric power and renewable energy credits	\$ -	\$ 976,820	\$ 976,820	\$ 989,708
Water sales	3,273,016	-	3,273,016	3,204,301
System development charges	172,009	-	172,009	138,926
Other	<u>50,576</u>	<u>-</u>	<u>50,576</u>	<u>57,103</u>
Total Operating Revenues	<u>3,495,601</u>	<u>976,820</u>	<u>4,472,421</u>	<u>4,390,038</u>
Operating Expenses:				
Administration and supervision	79,735	75,401	155,136	144,741
Bookkeeping and collections	193,278	60,363	253,641	229,067
Meter reading	4,724	-	4,724	1,168
Employee insurance and pension	981,268	235,957	1,217,225	911,782
Employee payroll taxes	102,839	47,373	150,212	137,933
Office supplies	46,895	609	47,504	44,944
Professional services	185,627	45,705	231,332	152,504
Insurance	76,079	77,288	153,367	131,844
Electric power	511,820	-	511,820	336,517
Power production	-	30,755	30,755	26,938
Maintenance, repair, and operations	979,523	71,835	1,051,358	865,950
Gas and oil	52,284	9,496	61,780	58,767
Equipment maintenance and repair	87,549	3,541	91,090	179,964
Safety and public relations	16,507	9,998	26,505	31,308
General plant	-	289,954	289,954	307,417
Fish	-	135,744	135,744	103,465
Other expense	<u>171,045</u>	<u>64,619</u>	<u>235,664</u>	<u>293,809</u>
Total Operating Expenses Before Depreciation and Amortization, carried forward	<u>\$ 3,489,173</u>	<u>\$ 1,158,638</u>	<u>\$ 4,647,811</u>	<u>\$ 3,958,118</u>

DESCHUTES VALLEY WATER DISTRICT**Statements of Revenues, Expenses, and Changes in Net Position, continued**

Years Ended June 30, 2025 and 2024

	<u>Water</u>	<u>Hydroelectric</u>	<u>2025 Total</u>	<u>2024 Total (Memo Only)</u>
Total Operating Expenses Before Depreciation and Amortization, brought forward	\$ 3,489,173	\$ 1,158,638	\$ 4,647,811	\$ 3,958,118
Depreciation and Amortization	<u>982,703</u>	<u>586,388</u>	<u>1,569,091</u>	<u>1,521,312</u>
Total Operating Expenses	<u>4,471,876</u>	<u>1,745,026</u>	<u>6,216,902</u>	<u>5,479,430</u>
Operating Loss	<u>(976,275)</u>	<u>(768,206)</u>	<u>(1,744,481)</u>	<u>(1,089,392)</u>
Nonoperating Revenues and Expenses:				
Interest and dividends on investments	185,360	596,158	781,518	756,864
Net increase in the fair value of investments	136,855	328,374	465,229	54,699
Other nonoperating revenue	<u>160,337</u>	<u>76,923</u>	<u>237,260</u>	<u>76,923</u>
Total Nonoperating Revenues and Expenses	<u>482,552</u>	<u>1,001,455</u>	<u>1,484,007</u>	<u>888,486</u>
Loss Before Capital Contributions and Transfers	(493,723)	233,249	(260,474)	(200,906)
Capital Contributions	<u>652,767</u>	<u>-</u>	<u>652,767</u>	<u>599,297</u>
Change in Net Position	159,044	233,249	392,293	398,391
Net Position, beginning	<u>29,388,814</u>	<u>33,101,267</u>	<u>62,490,081</u>	<u>62,091,690</u>
Net Position, ending	<u>\$ 29,547,858</u>	<u>\$ 33,334,516</u>	<u>\$ 62,882,374</u>	<u>\$ 62,490,081</u>

DESCHUTES VALLEY WATER DISTRICT

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	Water	Hydroelectric	2025 Total	2024 Total (Memo Only)
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,499,204	\$ 948,645	\$ 4,447,849	\$ 4,384,187
Cash paid for materials and services	(998,848)	(217,893)	(1,216,741)	(1,366,603)
Cash paid to employees and for taxes and benefits	(2,235,420)	(985,196)	(3,220,616)	(2,662,269)
Net Cash Provided (Used) by Operating Activities	<u>264,936</u>	<u>(254,444)</u>	<u>10,492</u>	<u>355,315</u>
Cash Flows from Capital and Related Financing Activities:				
Capital expenditures	(1,091,802)	-	(1,091,802)	(1,107,142)
Contributions in aid of construction	652,767	-	652,767	599,297
Net Cash Used by Capital and Related Financing Activities	<u>(439,035)</u>	<u>-</u>	<u>(439,035)</u>	<u>(507,845)</u>
Cash Flows from Investing Activities:				
Purchase of investments	(3,871,340)	(17,020,198)	(20,891,538)	(16,593,356)
Proceeds from sales and maturities of investments	3,980,904	16,747,861	20,728,765	15,925,626
Investment income	185,360	596,158	781,518	756,864
Change in restricted cash	(148,081)	-	(148,081)	(98,310)
Net Cash Provided (Used) by Investing Activities	<u>146,843</u>	<u>323,821</u>	<u>470,664</u>	<u>(9,176)</u>
Net Increase (Decrease) in Cash	<u>(27,256)</u>	<u>69,377</u>	<u>42,121</u>	<u>(161,706)</u>
Cash, beginning	<u>541,101</u>	<u>426,465</u>	<u>967,566</u>	<u>1,129,272</u>
Cash, ending	<u>\$ 513,845</u>	<u>\$ 495,842</u>	<u>\$ 1,009,687</u>	<u>\$ 967,566</u>

DESCHUTES VALLEY WATER DISTRICT**Statements of Cash Flows, continued**

Years Ended June 30, 2025 and 2024

	<u>Water</u>	<u>Hydroelectric</u>	<u>2025 Total</u>	<u>2024 Total (Memo Only)</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:				
Operating loss	\$ (976,275)	\$ (768,206)	\$ (1,744,481)	\$ (1,089,392)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization	982,703	586,388	1,569,091	1,521,312
Pension expense	399,837	163,949	563,786	681,723
Pension contribution	(435,216)	(178,456)	(613,672)	(608,208)
Changes in operating assets and liabilities:				
Accounts receivable	(21,404)	(18,817)	(40,221)	(18,659)
Materials and supplies	(108,129)	-	(108,129)	12,881
Prepaid expenses	2,799	(10,627)	(7,828)	(13,389)
Accounts payable	88,794	10,441	99,235	(137,925)
Early retirement incentive	372,067	-	372,067	(6,688)
Compensated absences	(71,191)	(26,982)	(98,173)	15,042
Accrued expenses	(3,414)	(2,776)	(6,190)	(14,190)
Service installation deposits	15,552	-	15,552	11,368
Customer deposits	9,455	-	9,455	1,440
Due to (from) hydro fund	9,358	(9,358)	-	-
Net Cash Provided (Used) by Operating Activities	\$ <u>264,936</u>	\$ <u>(254,444)</u>	\$ <u>10,492</u>	\$ <u>355,315</u>

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of Deschutes Valley Water District (the District) are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Significant financial accounting and reporting policies for the District are discussed below.

Reporting Entity

The District is a Domestic Water Supply District organized under Oregon Revised Statutes (ORS) chapter 264 for the purpose of providing water service to customers within the boundaries of the District. The District is governed by a five-member Board of Commissioners elected by voters within the District. As established by the GASB's definition of a reporting entity, the District is considered a primary government entity and is not a component unit of another entity, nor are there any component units for which the District is financially accountable.

Organization and Operation

The District serves the cities of Madras, Metolius, and Culver, and the surrounding rural areas. Approximately 12,000 residents are served through 4,700 water meters within the District. The District is also responsible for the Opal Springs Hydroelectric Plant and source of supply. Electric power is produced and sold under a long-term contract for the benefit of the District.

All nonmanagement employees are members of the International Brotherhood of Electrical Workers (IBEW). The agreement between the District and the IBEW is valid through June 30, 2026. This union represents 90% of the District's workforce at June 30, 2025.

Basis of Accounting

The District's financial statements are presented on the economic resources measurement focus and the accrual basis of accounting and conform to GAAP for proprietary (enterprise) funds. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The financial statements of the District have been prepared in accordance with GAAP. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The District accounts for the activities of the District in two funds, the water fund and the hydroelectric fund. The water fund accounts for all activities related to the distribution of water to customers in the District. The hydroelectric fund accounts for all activities related to the Opal Spring Hydroelectric project and the District's source of supply. The accounts of the District are organized on the basis of a proprietary (enterprise) fund type.

The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

Cash

The District maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per bank. Further, ORS 295 was established to provide a shared liability pool, increasing the protection to public funds, while allowing banks to pledge collateral more accurately reflecting their actual public funds deposited. As of June 30, 2025 and 2024, the District did not have cash in any one bank that exceeded the FDIC limit due to the Public Funds Collateralization Program administered by the Oregon Office of the State Treasurer, as the District only deposits money in qualified depositories in order to meet the collateral requirements established by ORS 295.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies, continued

Cash, continued

Custodial Credit Risk (Cash) - Custodial credit risk on deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have bank deposit policies to address custodial credit risk.

Restricted cash includes customer deposits and cash available for use in construction. At June 30, 2025, the District's restricted cash totaled \$670,002 (\$521,921 at June 30, 2024).

Investments

Investments are reported at fair value based on a framework that provides a fair value hierarchy prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The District's marketable securities are measured and reported at fair value on a recurring basis based on quoted prices available in active markets for identical investments as of the reporting date (classification level 1). There have been no changes to the methodologies used at June 30, 2025 and 2024.

Receivables

Accounts receivable primarily represent user charges for water service and electricity sales to Pacific Power which are recognized as earned. The District discontinues water service on delinquent accounts until payment is received; substantially all accounts are collectible. The allowance for uncollectible receivables is based on management's review of the year-end accounts receivable aging and past credit and collection history. All receivables are shown net of an allowance for uncollectible accounts.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market and net realizable value. Cost is determined principally by the average cost method.

Utility Plant

Utility plant assets are stated at cost. Costs include labor, materials, and related indirect costs. The costs of additions, renewals, and betterments are capitalized. Repairs and minor replacements are charged to operating expenses. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000.

Depreciation is computed on assets placed in service using a straight-line method over their estimated useful life. All assets are calculated at a rate of 2% per year, except for general plant, meters, and office equipment which are calculated at the rates of 4% to 20% per year. No provision is made for salvage values.

Contributions in Aid of Construction

Contributions in aid of construction are contributions from District members for the construction of plant facilities. No distinction is made between property acquired through capital contributions and property purchased from funds received through operating channels.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred outflow inflow 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' 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.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies, continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 4 to the financial statements.

In addition to liabilities, the statements of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents amounts that apply to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 4 to the financial statements.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid-in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, one type of leave qualifies for liability recognition for compensated absences – vacation leave. The liability for compensated absences is reported as incurred. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Net Position

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

- Invested in capital assets, net of related debt - consists of all capital assets, net of accumulated depreciation, reduced by any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of the assets. The District does not hold any debt as of June 30, 2025 and 2024.
- Restricted - consists of external constraints placed on fund net assets by creditors, grantors, contributors, or the laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted funds as of June 30, 2025 and 2024.
- Unrestricted - consists of all other activity that is not included in the other categories previously mentioned.

Operating Revenue and Expense

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues include revenues derived from water and electricity sales and water related activities. Operating expenses include all expenses directly and indirectly related to providing these services.

Nonoperating Revenue and Expense

Nonoperating revenues and expenses include revenues and expenses not associated with the District's normal business of supplying water and electricity, including investment income and net increases or decreases in the fair value of investments, and other revenues.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies, continued

Risk Management

The District is subject to the risk of loss from various events, including, but not limited to, natural disasters and destruction of assets. The District purchases commercial insurance for all significant risks of loss, as determined by the District.

Estimates

The District uses estimates and assumptions in preparing financial statements in accordance with GAAP. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration Risks

Effective July 1, 2024, the District adopted Governmental Accounting Standards Board (GASB) Statement No.102, *Certain Risk Disclosures*. GASB 102 requires disclosures related to risks associated with concentrations and constraints common in the governmental environment. Management has analyzed the provisions contained in the Statement and additional disclosures related to the District's concentrations and constraints can be found in Note 9.

Transfers

The hydroelectric operations transfer funds to the water operations to be invested for future construction projects and for operations and maintenance of the water facilities. At June 30, 2025, the water fund owed the hydroelectric fund \$9,358 (none in 2024).

Stewardship, Compliance, and Accountability

The District's budget is adopted on a basis consistent with ORS 294 – *Local Budget Law*. The process under which the budget is adopted is described in the following paragraphs.

The District's general manager serves as the District's Budget Officer as appointed by the Board of Commissioners and is responsible for submitting a proposed budget to the Budget Committee. The Budget Committee is comprised of the District's Board of Commissioners and an equal number of citizens of the District. The budget is presented biennially to the Budget Committee for the subsequent biennium. The District is required to prepare a balanced budget, subject to the budget requirements of state law, in accordance with ORS.

The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past year's actual receipts and expenditures, as well as current year estimates, is also included in the budget document.

The Budget Committee holds public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Board of Commissioners, without returning to the Budget Committee for a second approval. The Board of Commissioners adopts the budget and makes appropriations no later than June 30.

The resolution authorizing appropriations sets the level at which expenditures cannot legally exceed appropriations. ORS 294.435 requires the District to establish the levels of budgetary control at the personal services, materials and services, capital outlay, and other sources (uses) levels. The governing body may approve supplemental budget appropriations after June 30 if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies, continued

Comparative Financial Information

The 2024 total column on the financial statements is captioned “Memo Only” to indicate that the information is presented only to facilitate financial analysis. The financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Reclassification

The presentation of the prior year financial statements has been classified to conform to the presentation in the 2024 financial statements. Such reclassifications have no effect on change in net position or net position.

Note 2 - Investments

State statutes authorize the District to invest in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, time certificates of deposit, and corporate marketable debt securities and bonds, among others. Investments are stated at fair value as determined by quoted market prices available in active markets for identical investments as of the reporting date. There have been no changes to the methodologies used at June 30, 2025 and 2024.

At June 30, investments in the accompanying statements of net position consist of the following:

	<u>2025</u>	<u>2024</u>
Cash held by trustee	\$ 146,415	\$ 122,733
U.S. government bonds	12,993,330	11,183,431
Municipal bonds	3,930,429	4,027,191
Corporate marketable debt securities and bonds	4,687,254	4,606,598
Certificates of deposit	<u>480,827</u>	<u>1,670,300</u>
Total Investments	<u>\$ 22,238,255</u>	<u>\$ 21,610,253</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to change in market rates. The District’s investment policy does not have specific limitations regarding investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio to prevent, as much as possible, premature withdrawals by timing maturities to correspond with the scheduled use of the funds.

Custodial Credit Risk – Custodial credit risk on investments is the risk that in the event of a 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. The District does not have an investment policy to address custodial credit risk; however, investments are held by third-party custodians in the District’s name.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 2 - Investments, continued

At June 30, 2025, the District's investments by type mature as follows:

Type of Investment:	Fair Value	Investment Maturities			
		Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years
Cash held by trustee	\$ 146,415	\$ 146,415	\$ -	\$ -	\$ -
U.S. Government bonds	12,993,329	2,317,222	5,233,084	1,494,377	3,948,647
Municipal bonds	3,930,429	116,535	283,223	1,853,453	1,677,218
Corporate marketable debt securities and bonds	4,687,254	-	4,287,667	399,587	-
Certificates of deposit	480,827	480,827	-	-	-
Total	\$ 22,238,254	\$ 3,060,999	\$ 9,803,974	\$ 3,747,417	\$ 5,625,865

Concentration of Credit Risk – ORS 294.035 includes guidelines for maintaining a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a particular issuer. More specifically, the statute mandates that no more than 35% of funds be invested in corporate indebtedness, and no more than 5% be invested in corporate indebtedness of any single corporate entity. The District has limited its investments in corporate marketable debt securities and bonds to 21% of total funds available for investment and has no investment in any one entity over 5%. The District is in compliance in regards to concentrations for the year ended June 30, 2025.

Credit Risk – The District's investment policy, which adheres to the State of Oregon law, is to limit its corporate indebtedness to the following: Issuers within Oregon must be rated "A-" or better by Standard and Poor's, Moody's Investors Service, or any other nationally recognized statistical rating organization. Issuers not in Oregon must be rated AA-/Aa- or better.

At June 30, 2025, the District's investments have average ratings by Standard & Poor's and/or Moody's Investors Service as follows:

Rating:	Cash held by trustee	U.S. Government bonds	Municipal bonds	Corporate bonds	Certificates of deposit	Total
AAA	\$ -	\$ 12,993,330	\$ -	\$ 399,587	\$ -	\$ 13,392,917
AA+	-	-	771,209	-	-	771,209
AA	-	-	962,911	-	-	962,911
AA-	-	-	115,057	1,224,297	-	1,339,354
A+	-	-	1,461,159	2,064,795	-	3,525,954
A	-	-	620,093	998,575	-	1,618,668
Unrated	146,415	-	-	-	480,827	627,242
Total	\$ 146,415	\$ 12,993,330	\$ 3,930,429	\$ 4,687,254	\$ 480,827	\$ 22,238,255

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 2 - Investments, continued

The District is not in compliance in regard to credit ratings as the District has \$2,011,311 invested in companies outside of Oregon that are below the required credit rating (\$1,951,257 in 2024). In addition, \$480,827 of the District's certificate of deposits are invested in institutions or credit unions without a head office or a branch in Oregon (\$944,708 in 2024). The District monitors the ratings of its bonds regularly, does not purchase any bonds below an "A-" rating or "AA/Aa-" if not in Oregon, and sells them if it fiscally makes sense to do so.

Note 3 - Utility Plant

A summary of the District's water utility plant are as follows at June 30, 2025:

	2024	Increases	Decreases	2025
Water plant assets not being depreciated:				
Land	\$ 588,419	\$ -	\$ -	\$ 588,419
Water rights	248,819	-	-	248,819
	<u>\$ 837,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,238</u>
Water plant assets being depreciated:				
Source of supply plant	\$ 1,430,847	\$ -	\$ -	\$ 1,430,847
Power and pumping plant	2,357,865	169,696	-	2,527,561
Distribution storage	4,918,211	-	-	4,918,211
Meters and installation	2,366,050	77,216	-	2,443,266
Transmission and distribution	24,262,616	592,640	-	24,855,256
General plant and equipment	4,430,317	296,754	-	4,727,071
Water reservoirs	857,853	-	-	857,853
	<u>40,623,759</u>	<u>1,136,306</u>	<u>-</u>	<u>41,760,065</u>
Less accumulated depreciation:				
Source of supply plant	1,035,285	28,618	-	1,063,903
Power and pumping plant	1,089,284	47,139	-	1,136,423
Distribution storage	1,983,897	98,366	-	2,082,263
Meters and installation	452,062	83,864	-	535,926
Transmission and distribution	9,733,906	485,368	-	10,219,274
General plant and equipment	3,184,914	222,191	-	3,407,105
Water reservoirs	669,175	17,157	-	686,332
	<u>18,148,523</u>	<u>982,703</u>	<u>-</u>	<u>19,131,226</u>
Net water plant assets being depreciated	<u>\$ 22,475,236</u>	<u>\$ 153,603</u>	<u>\$ -</u>	<u>\$ 22,628,839</u>

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 3 - Utility Plant, continued

A summary of the District's hydroelectric utility plant are as follows at June 30, 2025:

	<u>2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>2025</u>
Hydroelectric plant assets being depreciated:				
Structures and improvements	\$ 1,525,059	\$ -	\$ -	\$ 1,525,059
Dams and waterways	19,332,528	-	-	19,332,528
Turbines and generators	3,017,916	-	-	3,017,916
Accessory electric equipment	1,339,895	-	-	1,339,895
Miscellaneous power equipment	111,454	-	-	111,454
Roads and bridges	2,562,360	-	-	2,562,360
Poles and fixtures	158,303	-	-	158,303
Transportation and general	472,481	-	-	472,481
	<u>28,519,996</u>	<u>-</u>	<u>-</u>	<u>28,519,996</u>
Less accumulated depreciation:				
Structures and improvements	757,379	30,502	-	787,881
Dams and waterways	4,996,375	386,654	-	5,383,029
Turbines and generators	2,342,093	60,360	-	2,402,453
Accessory electric equipment	806,482	26,799	-	833,281
Miscellaneous power equipment	111,453	-	-	111,453
Roads and bridges	1,999,322	51,200	-	2,050,522
Poles and fixtures	123,483	3,166	-	126,649
Transportation and general	373,278	27,707	-	400,985
	<u>11,509,865</u>	<u>586,388</u>	<u>-</u>	<u>12,096,253</u>
Net hydroelectric plant assets being depreciated	<u>\$ 17,010,131</u>	<u>\$ (586,388)</u>	<u>\$ -</u>	<u>\$ 16,423,743</u>

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 3 - Utility Plant, continued

A summary of the District's water utility plant are as follows at June 30, 2024:

	<u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>2024</u>
Water plant assets not being depreciated:				
Land	\$ 588,419	\$ -	\$ -	\$ 588,419
Water rights	<u>248,819</u>	<u>-</u>	<u>-</u>	<u>248,819</u>
	<u>\$ 837,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,238</u>
Water plant assets being depreciated:				
Source of supply plant	\$ 1,430,847	\$ -	\$ -	\$ 1,430,847
Power and pumping plant	2,357,865	-	-	2,357,865
Distribution storage	4,918,211	-	-	4,918,211
Meters and installation	2,298,808	67,242	-	2,366,050
Transmission and distribution	23,502,176	760,440	-	24,262,616
General plant and equipment	4,176,524	258,293	(4,500)	4,430,317
Water reservoirs	<u>857,853</u>	<u>-</u>	<u>-</u>	<u>857,853</u>
	<u>39,542,284</u>	<u>1,085,975</u>	<u>(4,500)</u>	<u>40,623,759</u>
Less accumulated depreciation:				
Source of supply plant	1,006,667	28,618	-	1,035,285
Power and pumping plant	1,042,145	47,139	-	1,089,284
Distribution storage	1,885,531	98,366	-	1,983,897
Meters and installation	369,996	82,066	-	452,062
Transmission and distribution	9,263,819	470,087	-	9,733,906
General plant and equipment	2,993,549	195,865	(4,500)	3,184,914
Water reservoirs	<u>652,018</u>	<u>17,157</u>	<u>-</u>	<u>669,175</u>
	<u>17,213,725</u>	<u>939,298</u>	<u>(4,500)</u>	<u>18,148,523</u>
Net water plant assets being depreciated	<u>\$ 22,328,559</u>	<u>\$ 146,677</u>	<u>\$ -</u>	<u>\$ 22,475,236</u>

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 3 - Utility Plant, continued

A summary of the District's hydroelectric utility plant are as follows at June 30, 2024:

	<u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>2024</u>
Hydroelectric plant assets being depreciated:				
Structures and improvements	\$ 1,525,059	\$ -	\$ -	\$ 1,525,059
Dams and waterways	19,332,528	-	-	19,332,528
Turbines and generators	3,017,916	-	-	3,017,916
Accessory electric equipment	1,339,895	-	-	1,339,895
Miscellaneous power equipment	111,454	-	-	111,454
Roads and bridges	2,562,360	-	-	2,562,360
Poles and fixtures	158,303	-	-	158,303
Transportation and general	418,529	53,952	-	472,481
	<u>28,466,044</u>	<u>53,952</u>	<u>-</u>	<u>28,519,996</u>
Less accumulated depreciation:				
Structures and improvements	726,877	30,502	-	757,379
Dams and waterways	4,609,721	386,654	-	4,996,375
Turbines and generators	2,281,733	60,360	-	2,342,093
Accessory electric equipment	779,683	26,799	-	806,482
Miscellaneous power equipment	111,308	145	-	111,453
Roads and bridges	1,948,122	51,200	-	1,999,322
Poles and fixtures	120,317	3,166	-	123,483
Transportation and general	350,090	23,188	-	373,278
	<u>10,927,851</u>	<u>582,014</u>	<u>-</u>	<u>11,509,865</u>
Net hydroelectric plant assets being depreciated	\$ <u>17,538,193</u>	\$ <u>(528,062)</u>	\$ <u>-</u>	\$ <u>17,010,131</u>

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans

Plan Description

The District contributes to two pension plans administered by OPERS. The Oregon Public Employees Retirement Fund (Tier 1/Tier 2) 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 Tier 1/Tier 2 consisting of two programs: a defined benefit pension plan and a defined contribution program (the Individual Account Program or IAP). The OPSRP pension plan is effective for all new employees hired on or after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service.

All benefits of OPERS are established by the Oregon Legislature pursuant to ORS Chapters 238 and 238A. The Oregon Legislature has delegated authority of the Public Employees Retirement Board to administer and manage the system.

OPERS issues a publicly available financial report that can be obtained at:

<https://www.oregon.gov/pers/emp/Documents/GASB/2022/GASB-68-Audit-Report.pdf>.

OPERS prepares its financial statements in accordance with GASB statements and GAAP.

Plan Benefits

1) Tier One/Tier Two Retirement Benefit

Pension Benefits

The Tier 1/Tier 2 pension plan provides retirement, disability, benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members, who must be public employees and beneficiaries. The OPERS 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 (1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit was equal to \$232,976 as of January 1, 2024, and is indexed with inflation every year.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if they have contributions in each of five calendar years or have reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire with full benefits after reaching age 55. Tier 1 General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier 2 members are eligible for full benefits at age 60. The plans are closed to new members hired on or after August 29, 2003.

Beginning January 1, 2004, OPERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

Plan Benefits, continued

1) Tier One/Tier Two Retirement Benefit, continued

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 certain criteria exist. A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of \$200 per month for deaths that occur after July 30, 2003.

As of 2020, the Legislature introduced an Optional Spouse Death Benefit (OSDB) which may provide a higher survivor benefit than the standard preretirement death benefit described above. To be eligible for the OSDB, the member must have died before retiring, named their spouse or other person constitutionally required to be treated in the same manner as the spouse as their preretirement beneficiary, and meet certain conditions.

As of January 1, 2024, the Legislature modified the rules such that, in order to be eligible for the OSDB, a surviving spouse must make a written election no later than 60 days after the date of the estimate that OPERS provides to a member's spouse. For members who die before their earlier retirement date, the OSDB is the actuarial equivalent of 50% of the service retirement that would have been paid to the member, calculated as if the member became inactive on their date of death and retired at their earliest retirement date. For members who die after their earliest retirement date but before normal retirement age, the OSDB is the actuarial equivalent of the service retirement that would have been paid to the member calculated as if they retired on the first day of the month following their death. For members who die after their normal retirement age, the OSDB is the actuarial equivalent of the benefit that would have been paid to the member, calculated as if the member retired on the first day of the month following their date 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 OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in their Variable Account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through COLA, starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

2) The Oregon Public Service Retirement Plan Pension Program (OPSRP)

Pension Benefits

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: 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit was equal to \$232,976 as of January 1, 2024, and will be indexed with inflation every year.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

Plan Benefits, continued

2) The Oregon Public Service Retirement Plan Pension Program (OPSRP), continued

Pension Benefits, continued

A member of the 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, or, if the pension program is terminated, the date on which termination become effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50% of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 off he calendar year in which the member would have reached the age of their federally required minimum distribution.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred. Disability benefits continue until the member is no longer disabled or otherwise no longer qualifies for benefits, reaches normal retirement age, or dies.

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through COLA, starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

3) OPSRP Individual Account Program (IAP)

Pension Benefits

The IAP is an individual account-based program under the OPERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is 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 IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under Internal Revenue Code (IRC) Section 414(k).

Upon retirement, a member of the 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. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a \$200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

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 retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

Plan Benefits, continued

3) OPSRP Individual Account Program (IAP), continued

Contributions

OPERS funding policy provides for periodic member and employer contributions at rates established by the OPERS Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the third-party actuary.

Member Contributions

Beginning January 1, 2004, all member contributions were placed in the IAP. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set at 6.0% or 7.0% of salary and are remitted by participating employees. The contributions are either deducted from member salaries or paid by the employers on the members' behalf.

Starting January 1, 2020, Senate Bill 1049 required a portion of the member contributions to their IAP accounts to be redirected to the Defined Benefit Fund. In 2024, if the member earns more than \$3,688 per month, 0.75% (if OPSRP) or 2.5% (if Tier One/TIER Two members) of the members' contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA Accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

Employer Contributions

OPERS 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 OPERS Defined Benefit Plan. Employer contribution rates during fiscal year 2025 were based on the December 31, 2021, actuarial valuation, which became effective July 1, 2023. The state of Oregon and certain schools, community colleges, public universities, and political subdivisions have made supplemental unfunded actuarial liability payment, and their rates have been reduced. Effective January 1, 2020, Senate Bill 1049 (2019) requires employers to pay contributions on reemployed OPERS retirees' salaries as if they were active members, excluding IAP (6%) contributions. Reemployed retirees do not accrue additional benefits while they work after retirement.

Effective July 1, 2023, the contribution rates for Tier One/Tier Two employer contribution was 22.44% at June 30, 2025 and 2024; OPSRP employer contribution rate was 18.25% at June 30, 2025 and 2024.

Employer contributions to OPERS for the year ended June 30, 2025, were \$619,481 (\$606,787 in 2024), excluding amounts to fund employer-specific liabilities. Member contributions to OPERS were \$103,388 (\$100,617 in 2024). The District has \$30,937 included in accounts payable to OPERS at June 30, 2025, due to the timing of required contribution payments (\$48,963 in 2024).

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

Plan Benefits, continued

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

Net pension liability

At June 30, 2025, the District reported a liability of \$3,044,063 for its proportionate share of the net pension liability (\$2,567,783 at June 30, 2024). The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Plan with the total projected long-term contribution effort of all employers, actuarially determined. At the measurement date as of June 30, 2024 and 2023, the District's proportion was 0.014%.

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of \$563,786 (\$681,723 in 2024).

Deferred inflow of resources and deferred outflow of resources

Deferred inflow of resources and deferred outflow of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2024, employers will report the following deferred inflows of resources and/or deferred outflows of resources:

- A difference between expected and actual experience
- Changes in assumption
- Changes in employer proportion since the prior measurement date
- Net difference between projected and actual investment earnings

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employees are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described as below:

- Fiscal Year ended June 30, 2024 – 5.3 years
- Fiscal Year ended June 30, 2023 – 5.4 years
- Fiscal Year ended June 30, 2022 – 5.5 years
- Fiscal Year ended June 30, 2021 – 5.4 years
- Fiscal Year ended June 30, 2020 – 5.3 years
- Fiscal Year ended June 30, 2019 – 5.2 years

The net difference between projected and actual investment in earnings attributable to each measurement period is amortized over a five-year period.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

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

Deferred inflow of resources and deferred outflow of resources, continued

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The amount of \$1,23,121 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 180,333	\$ (7,265)
Changes of assumptions	306,051	(392)
Net difference between projected and actual earnings on investments	193,383	-
Changes in proportionate share	102,251	(177,299)
Differences between employer contributions and employer's proportionate share of system contributions	21,845	(170,797)
Contributions after the measurement date	<u>1,623,121</u>	<u>-</u>
Net Deferred Outflow (Inflow) of Resources	<u>\$ 2,426,984</u>	<u>\$ (355,753)</u>

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense at June 30, 2025, as follows:

2026	\$ (27,776)
2027	278,852
2028	109,923
2029	68,561
2030	<u>18,550</u>
Thereafter	<u>\$ 448,110</u>

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Actuarial Assumptions

Valuation Date:	December 31, 2022
Measurement Date:	June 30, 2024
Experience Study Report:	2022, published July 24, 2023
Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Inflation rate	2.4 %
Long-term expected rate of return	6.9 %
Discount rate	6.9%
Projected salary increases	3.4 %
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:	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2022 Experience Study, which reviewed experience for the four-year period ending on December 31, 2022.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

Actuarial Methods and Assumptions Used in Developing Total Pension Liability, continued

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023, the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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; instead, they are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see OPERS' audited financial statements at: <https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>

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 judgment.

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

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

Based on these circumstances, it is OPERS' 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.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 4 - Retirement Plans, continued

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

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	<u>Discount Rate</u>	<u>District's Proportionate Share of Net Pension</u>
1% lower	5.90%	4,801,886
Current discount rate	6.90%	3,044,063
1% higher	7.90%	1,571,801

Note 5 - Long-Term Obligations

	<u>Balance at June 30, 2024</u>	<u>Net Increase</u>	<u>Net Decrease</u>	<u>Balance at June 30, 2025</u>	<u>Due Within One Year</u>
Other long-term obligations					
Net pension liability	\$ 2,567,783	\$ 476,280	\$ -	\$ 3,044,063	\$ -
Early retirement incentive	94,511	372,067	-	466,578	-
Compensated absences	<u>253,437</u>	<u>-</u>	<u>(98,173)</u>	<u>155,264</u>	<u>155,264</u>
	<u>\$ 2,915,731</u>	<u>\$ 848,347</u>	<u>\$ (98,173)</u>	<u>\$ 3,665,905</u>	<u>\$ 155,264</u>

Note 6 - Early Retirement Incentive

The District has established a Temporary Retirement Incentive Program (the Program) for the purpose of encouraging eligible employees to accelerate their retirement plans. Both union and management employees hired before July 1, 2012, who retire with 30 years of continuous service or retire between the ages of 58 and 65 and have served at least 20 years with the District receive healthcare benefits for themselves and their spouse. Benefits are received for a period up to 84 months or until the employee reaches age 65. The District records a liability and expense upon election by the employees to participate in the Program. The District computes the liability based on the undiscounted current cost of providing these benefits. The liability at June 30, 2025, is \$466,578 (\$94,511 at June 30, 2024). The expense for the year ended June 30, 2025, is \$26,889 (\$8,028 for 2024).

The District funds the Program on a pay-as-you-go basis. No trust was established to fund this program. As of June 30, 2025, five retired employees elected to participate in the Program (two for 2024).

Note 7 - Long-Term Agreements

The District has a power purchase agreement with Pacific Power (a PacifiCorp Company) whereby Pacific Power agrees to purchase all kilowatt hours of net metered output at set energy prices and agrees to pay the District a set amount per month based upon each kilowatt of demonstrated capacity. A contract was signed in 2020 that extended this agreement to 2035.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 7 - Long-Term Agreements, continued

The District has a \$1,000,000 funding agreement with Portland General Electric (PGE) to offset use of the Crooked River water to support the operation of the fish ladder at Opal Springs beginning in 2020 and expiring in 2032. Subject to the terms of the agreement, the District will recognize approximately \$77,000 of revenue each year until the expiration in 2032. In 2025 and 2024, the District recognized approximately \$77,000 in revenue, with the remaining balance reported as unearned revenue in the statements of net position.

The District has an exclusive water sale contract with the City of Madras (the City) whereby the City will pay the District a fixed amount each year of the contract in the amount of \$12,611 per month, as well as an additional .0381 cents per cubic foot of water. The contract expires June 30, 2027, with annual increases each year.

Note 8 - Deferred Compensation

The District has a deferred compensation plan (the Plan) created in accordance with the IRC Section 457, as amended. The Plan is administered by the independent plan administrators Oregon Savings Growth Program and Franklin Templeton. The Plan is available to all employees of the District after six months of employment. Employees defer a portion of their salary until future years and the District will match up to 5.5%. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. Employer contributions into the deferred compensation plan at June 30, 2025, was \$235,404 (\$227,797 at June 30, 2024).

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 payments of benefits to the Plan's participants.

Note 9 - Major Customers

Hydroelectric fund operating revenue is derived from one customer that accounts which accounts for 100% of hydroelectric operating revenues at June 30, 2025 and 2024, respectively and 22% of total operating revenues at June 30, 2025 (23% in 2024). In addition, the same one customer also derives 100% of hydroelectric accounts receivable and 26% of total accounts receivable at June 30, 2025 (25% in 2024).

Note 10 - Nonmonetary Transactions

During 2025, the District received contributed assets in the amount of \$428,801 from District customers for the construction of plant facilities (\$390,316 in 2024). The construction has been recorded in the amount of \$428,801, which represents the cost of the District member to construct the facilities on the District's behalf and has been recorded as an asset on the District's books and capital contributions in the statements of revenues, expenses, and changes in net position.

Note 11 - New Accounting Pronouncements

Effective July 1, 2024, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This Statement establishes recognition and measurement guidance for all types of compensated absences, including vacation, sick leave, and other forms of leave. Management has analyzed the provisions contained in the Statement and determined that there is no impact on net position as of July 1, 2024, due to the adoption of the new Statement.

DESCHUTES VALLEY WATER DISTRICT

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 11 - New Accounting Pronouncements, continued

Effective July 1, 2024, the District adopted Governmental Accounting Standards Board (GASB) Statement No.102, *Certain Risk Disclosures*. GASB 102 requires disclosures related to risks associated with concentrations and constraints common in the governmental environment. Management has analyzed the provisions contained in the Statement and determined that there is no impact on the financial statements from the adoption of the new Statement.

REQUIRED SUPPLEMENTAL INFORMATION

DESCHUTES VALLEY WATER DISTRICT

Schedule of District's Proportionate Share of Net Pension Liability (Asset) (Unaudited)

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the collective net pension liability (asset)	0.014%	0.014%	0.015%	0.015%	0.014%	0.015%	0.020%	0.024%	0.028%	0.028%
District's proportionate share of the net pension liability (asset)	\$ 3,044,063	\$ 2,567,783	\$ 2,363,356	\$ 1,760,585	\$ 2,978,821	\$ 2,620,745	\$ 2,981,629	\$ 3,295,608	\$ 3,606,280	\$ (634,705)
District's covered-employee payroll	\$ 1,708,728	\$ 1,735,628	\$ 1,764,782	\$ 1,640,101	\$ 1,487,362	\$ 1,318,135	\$ 1,525,087	\$ 1,427,738	\$ 1,461,471	\$ 1,560,891
District's proportionate share of the collective net pension liability (asset) as a percentage of its covered-employee payroll	178%	148%	134%	107%	200%	199%	196%	231%	247%	-41%

DESCHUTES VALLEY WATER DISTRICT
Schedule of District Contributions (Unaudited)

Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statorily required contribution	\$ 619,481	\$ 606,787	\$ 570,237	\$ 532,066	\$ 400,322	\$ 345,440	\$ 333,346	\$ 320,657	\$ 259,347	\$ 287,033
Contributions in relation to statorily required contribution	<u>619,481</u>	<u>606,787</u>	<u>570,237</u>	<u>532,066</u>	<u>400,322</u>	<u>345,440</u>	<u>333,346</u>	<u>320,657</u>	<u>259,347</u>	<u>287,033</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 1,873,273	\$ 1,708,727	\$ 1,735,628	\$ 1,764,782	\$ 1,640,101	\$ 1,487,362	\$ 1,318,135	\$ 1,525,087	\$ 1,427,738	\$ 1,461,471
Contributions as a percentage of covered-employee payroll	33%	36%	33%	30%	24%	23%	25%	21%	18%	20%

DESCHUTES VALLEY WATER DISTRICT

Notes to Required Supplemental Information

Years Ended June 30, 2025 and 2024

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

https://www.oregon.gov/pers/emp/Documents/GASB/2024/2024_GASB68.pdf

Changes of Assumption

A summary of key changes implemented since the December 31, 2022, valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

https://www.oregon.gov/pers/emp/Documents/GASB/2024/2024_GASB68.pdf

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2022 Experience Study for the System, which was published on July 24, 2023, and can be found at:

https://www.oregon.gov/pers/Documents/Financials/Actuarial/2023/2022_Exp_Study.pdf

SUPPLEMENTAL INFORMATION

DESCHUTES VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures, and Changes in Working Capital - Budget

(Non-GAAP Budgetary Basis) and Actual

Year Ended June 30, 2025

Schedule I

Water	2024-2025 Actual	2024-2026 Original Biennial Budget	Variance With Final Budget Over (Under)
Working Capital, beginning of year	\$ 6,657,667	\$ 800,000	\$ 5,857,667
Revenues:			
Water sales	3,273,016	6,300,000	(3,026,984)
Services and materials sold	222,585	350,000	(127,415)
Interest earnings on investments	322,215	303,176	19,039
Total Revenues	3,817,816	6,953,176	(3,135,360)
Expenditures:			
Personal services:			
Administration and supervision	79,735	152,492	(72,757)
Bookkeeping and collections	193,278	374,717	(181,439)
Meter reading	4,724	5,000	(276)
Employee insurance, pension, and taxes	1,119,486	1,646,398	(526,912)
Maintenance, repair, and operations	779,023	1,571,954	(792,931)
Equipment maintenance and repair	59,174	233,934	(174,760)
Total Personal Services	2,235,420	3,984,495	(1,749,075)
Materials and services:			
Office supplies	46,895	93,469	(46,574)
Professional services	185,627	229,168	(43,541)
Insurance	76,079	136,610	(60,531)
Electric power	511,820	700,275	(188,455)
Maintenance, repair, and operations	200,500	381,388	(180,888)
Gas and oil	52,284	108,562	(56,278)
Equipment maintenance and repair	28,375	100,000	(71,625)
Safety and public relations	16,507	13,578	2,929
Miscellaneous	171,045	419,634	(248,589)
Total Materials and Services	1,289,132	2,182,684	(893,552)
Capital Outlay	\$ 1,252,139	\$ 6,521,497	\$ (5,269,358)

DESCHUTES VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures, and Changes in Working Capital - Budget

(Non-GAAP Budgetary Basis) and Actual, continued

Year Ended June 30, 2025

Schedule I, cont.

	2024-2025 Actual	2024-2026 Original Biennial Budget	Variance With Final Budget Over (Under)
<u>Water, continued</u>			
Other Financing Sources:			
Other nonoperating revenue	160,337	-	160,337
Construction and equipment reserve, net of unappropriated	\$ -	\$ 5,185,500	\$ (5,185,500)
Total Other Financing Sources	<u>160,337</u>	<u>5,185,500</u>	<u>(5,025,163)</u>
Capital Contributions	<u>652,767</u>	<u>-</u>	<u>652,767</u>
Working Capital, end of year	<u>\$ 6,511,896</u>	<u>\$ 250,000</u>	<u>\$ 6,261,896</u>

At June 30, working capital consisted of the following:

Cash	\$ 513,845
Other Current Assets	1,043,913
Restricted Cash - Customer Deposits	670,002
Investments Designated for Future Use	5,216,838
Current Liabilities	(401,009)
Early retirement incentive	(466,578)
Customer Deposits	<u>(65,115)</u>
Working Capital	<u>\$ 6,511,896</u>

The employee insurance and pension expense included in personal services represents the actual contributions and expense during 2025 and 2024, rather than the actuarially determined amount reflected in the statements of revenues, expenditures, and change in net position, due to the implementation of GASB 68 and 71.

DESCHUTES VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures, and Changes in Working Capital - Budget

(Non-GAAP Budgetary Basis) and Actual

Year Ended June 30, 2025

Schedule II

	2024-2025 Actual	2024-2026 Original Biennial Budget	Variance With Final Budget Over (Under)
Hydroelectric			
Working Capital, beginning of the year	\$ 16,390,140	\$ 175,000	\$ 16,215,140
Revenues:			
Electric power and renewable energy credits	976,820	1,916,000	(939,180)
Interest earnings on investments	924,532	1,070,000	(145,468)
Total Revenues	<u>1,901,352</u>	<u>2,986,000</u>	<u>(1,084,648)</u>
Expenditures:			
Personal services:			
Administration and supervision	75,401	152,492	(77,091)
Bookkeeping and collections	60,363	121,800	(61,437)
Employee insurance, pension, and taxes	297,837	678,761	(380,924)
Power production	30,691	85,742	(55,051)
Maintenance, repair, and operations	33,490	85,742	(52,252)
General plant	270,333	618,879	(348,546)
Fish	39,908	85,742	(45,834)
Total Personal Services	<u>808,023</u>	<u>1,829,158</u>	<u>(1,021,135)</u>
Materials and services:			
Office supplies	609	2,000	(1,391)
Professional services	45,705	135,450	(89,745)
Insurance	77,288	158,221	(80,933)
Power production	64	10,000	(9,936)
Maintenance, repair, and operations	38,345	68,153	(29,808)
Gas and oil	9,496	24,060	(14,564)
Equipment, maintenance, and repair	3,541	35,000	(31,459)
Safety and public relations	9,998	18,500	(8,502)
General plant	19,621	65,000	(45,379)
Fish	95,836	150,000	(54,164)
Miscellaneous	64,619	175,808	(111,189)
Total Materials and Services	<u>\$ 365,122</u>	<u>\$ 842,192</u>	<u>\$ (477,070)</u>

DESCHUTES VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures, and Changes in Working Capital - Budget

(Non-GAAP Budgetary Basis) and Actual, continued

Year Ended June 30, 2025

Schedule II, cont.

	2024-2025 Actual	2024-2026 Original Biennial Budget	Variance With Final Budget Over (Under)
Hydroelectric, continued			
Capital Outlay	\$ -	\$ 13,939,650	\$ (13,939,650)
Other Financing Uses:			
Other revenues	76,923	-	76,923
Equipment and replacement reserve, net of unappropriated	<u>-</u>	<u>13,450,000</u>	<u>(13,450,000)</u>
Total Other Financing Uses	<u>76,923</u>	<u>13,450,000</u>	<u>(13,373,077)</u>
Working Capital, end of year	\$ <u>17,195,270</u>	\$ <u>-</u>	\$ <u>17,195,270</u>

At June 30, working capital consisted of the following:

Cash and Investments	\$ 17,517,259
Other Current Assets	349,446
Current Liabilities	(132,973)
Unearned Revenue	<u>(538,462)</u>
Working Capital	<u>\$ 17,195,270</u>

The employee insurance and pension expense included in personal services represents the actual contributions and expense during 2025 and 2024, rather than the actuarially determined amount reflected in the statements of revenues, expenditures, and change in net position, due to the implementation of GASB 68 and 71.

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Board of Commissioners
Deschutes Valley Water District
Madras, Oregon

We have audited the basic financial statements of Deschutes Valley Water District (the District) as of and for the year ended June 30, 2025, and have issued our report thereon dated October 20, 2025. 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 District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 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, and contracts, including the provisions of ORS 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:

Budgets legally required (ORS Chapter 294)

- ORS 294.361 indicates the District should budget a resource of net working capital in its subsequent biennium budget. The net working capital balance should be an estimate of what will remain in each fund on the last day of the current budget period. For the biennium 2024-2026, the District estimated only available cash on hand as a resource and did not include an estimate of all other modified accrual balances available to be carried over to the subsequent biennium. This resulted in the District underestimating their beginning working capital by approximately \$1,691,522 in the General Fund and overestimating their beginning working capital by approximately \$476,903 in the Hydro Fund.

Authorized investment of surplus funds (ORS Chapter 294)

- Based on our audit procedures we noted one matter of noncompliance related to the District's investments as disclosed in Note 2 to the financial statements.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS,
CONTINUED**

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did, however, identify significant deficiencies in internal control that we consider to be a significant deficiency which we have included in our separate management letter dated October 20, 2025.

Restriction on Use

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

Aldrich CPAs + Advisors LLP

By:

Amy Fenerty

Amy Fenerty, CPA, Partner
Salem, Oregon
October 20, 2025