



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2013

Clackamas County Service District No. 1

(A Component Unit of Clackamas County, Oregon)



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal years ended June 30, 2013 and 2012

Prepared by:
WATER ENVIRONMENT SERVICES
Business and Financial Services

Robert Moon, Accounting Supervisor

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Board of County Commissioners	i
Organizational Chart	ii
Letter of Transmittal	iii
Certificate of Achievement for Excellence in Financial Reporting	viii
FINANCIAL SECTION:	
Report of Independent Auditors	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16
Notes to Basic Financial Statements	18
Supplementary Information:	
Description of Budgetary Funds	37
Schedules of Revenues and Expenditures - Budget and Actual:	
Sanitary Sewer Fund	38
Sanitary Sewer System Development Charge Fund	40
State Revolving Loan Debt Service Fund	41
Revenue Bond Fund	42
Sanitary Sewer Construction Fund	43
Surface Water Fund	44
Surface Water System Development Charge Fund	45
Surface Water Construction Fund	46
Summary of Net Position by Fund	47

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION:	
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	48
Changes in Net Position - Last Ten Fiscal Years	49
Revenue Capacity:	
User Fee Revenue by Type of Customer - Last Ten Fiscal Years	50
Principal Ratepayers Within District - Last Ten Fiscal Years	51
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	52
Overlapping General Obligation Bonded Debt - June 30, 2013	53
Pledged Revenue Coverage - Last Ten Fiscal Years	54
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	55
Principal Employers - Current Year and Nine Years Ago	56
Operating Information:	
Full-Time Equivalent Employees by Function - Last Ten Fiscal Years	57
Operating Indicators by Function - Last Ten Fiscal Years	58
Capital Asset Statistics by Function - Last Ten Fiscal Years	59
COMPLIANCE REPORTS	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Report of Independent Auditors Required by Oregon State Regulations	62

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Introductory Statements



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
GOVERNING BODY UNDER ORS 451.485
BOARD OF COUNTY COMMISSIONERS
CLACKAMAS COUNTY, OREGON
Public Services Building
2051 Kaen Road
Oregon City, Oregon 97045

COMMISSIONERS AS OF JUNE 30, 2013

<u>Name</u>	<u>Term Expires</u>
Jim Ludlow, Chair Public Services Building	December 31, 2016
Jim Bernard, Commissioner Public Services Building	December 31, 2014
Paul Savas, Commissioner Public Services Building	December 31, 2014
Martha Schrader, Commissioner Public Services Building	December 31, 2016
Tootie Smith, Commissioner Public Services Building	December 31, 2016

ADMINISTRATIVE OFFICES

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

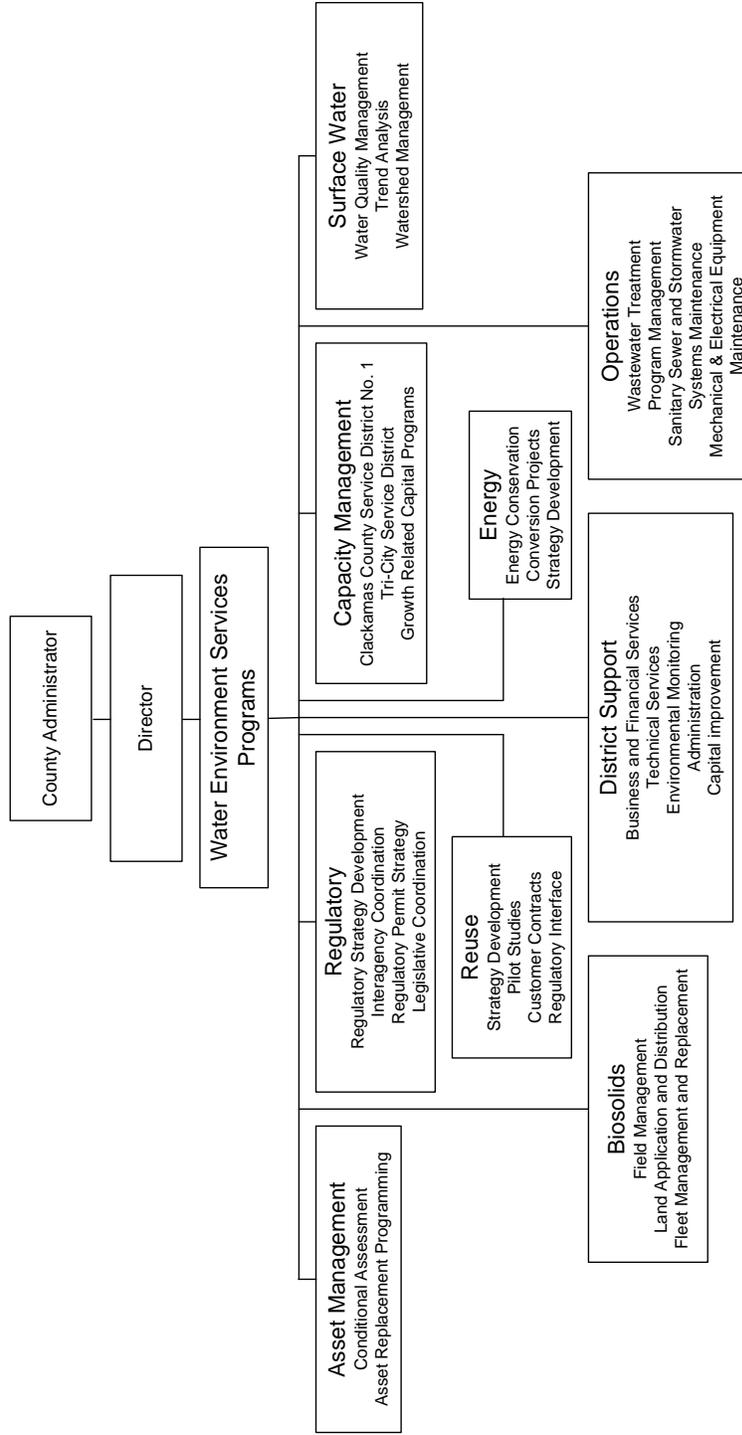
DISTRICT ADMINISTRATOR

Steve Wheeler
2051 Kaen Road
Oregon City, Oregon 97045

REGISTERED AGENT

Michael S. Kuenzi
150 Beaver Creek Road
Oregon City, Oregon 97045

Water Environment Services
 A Department of Clackamas County
 2012/2013





Water Quality Protection
Surface Water Management
Wastewater Collection & Treatment

Michael S. Kuenzi, P.E.
Director

December 4, 2013

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

The Comprehensive Annual Financial Report for Clackamas County Service District No. 1 (CCSD No. 1 or the District), a component unit of Clackamas County, Oregon, for the year ended June 30, 2013, is submitted herewith. This report was prepared by the Financial Services section of Water Environment Services (the Department), which administers CCSD No. 1, in accordance with the financial reporting provisions of Oregon Revised Statutes Sections 297.405 through 297.555. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the Department. We believe the data is accurate and complete in all material respects and that it is presented in a manner designed to present fairly the financial position, results of operations and cash flows of the District at June 30, 2013, and for the year then ended.

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

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

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

Water Environment Services

Clackamas County Water Environment Services (WES) was created in August 1984 to administer County service districts formed within Clackamas County, Oregon under the provisions of ORS Chapter 451. This enabling legislation establishes County service districts as independent municipal corporations authorized to provide a specific service within specified boundaries in the County. During FY 2012-13, WES administered Clackamas County Service District No. 1 (sewer and surface water management), Tri-City Service District (sewer), and the Surface Water Management Agency of Clackamas County. Since each of these is a separate municipal corporation, audited financial statements are prepared for each entity.

As specified by ORS 451, the governing body for each of these municipal corporations is the Board of County Commissioners of Clackamas County, Oregon, and the County Administrator serves as the Administrator for each of the Districts. As separate municipal corporations, the operations of each are distinct from those of the County. However, under criteria of the Governmental Accounting Standards Board, each entity is considered a component unit of Clackamas County, Oregon.

Clackamas County Service District No. 1

Clackamas County Service District No. 1 is comprised of four separate, non-contiguous sewer service areas, as well as a surface water management service area. Both sewer and surface water management services are provided in the North Clackamas Service Area, while sewer service only is provided in the Hoodland, Boring and Fischer's Forest Park Service Areas. Each service area is served by completely separate collection and treatment facilities. As such, each service area constitutes a separate cost center.

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

Relevant Financial Policies

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

Prospects for the Future

It is anticipated that customer growth will be moderate during the next several years. This expectation is probable since (1) Oregon has in place land use laws that establish an urban growth boundary designed to prevent “urban sprawl” and protect valuable agricultural and forest lands, (2) the boundary for the Portland metropolitan area has for the first time been expanded to include significant additional areas within Clackamas County, (3) continued overall growth in the Portland metropolitan area has significantly diminished easily developable land in other parts of the area, and (4) recent weakness in the housing market has slowed growth. The District has finished construction on a significant portion of additional sanitary sewerage treatment capacity at the Tri-City Service District (TCSD) facility in Oregon City. The District continues to pursue work on additional replacements of sanitary sewerage investments. These projects will serve growth over the next 15 to 20 years.

The District’s Kellogg Creek Water Pollution Control Plant is responsible for providing service to the unincorporated portion of North Clackamas County that lies within the Portland region urban growth boundary. As mentioned above, the portion of this boundary that lies within Clackamas County was expanded significantly. This expansion has the potential to more than double the current geographic area served by the District.

Fiscal year 2013 saw the completion of the Intertie II project. This project allows sewage flows from the northeast portion of CCSD No. 1 to the District’s recent treatment investments at the Tri-City facility. The Intertie II will provide the District with operation flexibility in meeting its discharge permits under variety of flow conditions.

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

In July of 2012 the District and TCSD jointly purchased the former Blue Heron property in West Linn, Oregon. CCSD No. 1 and TCSD's primary interest was in the existing industrial outfall and its associated discharge permit. At present the site is not being used, however, a remedial investigation and feasibility analysis is underway to clean up site contamination by former operators of the site.

In 2010, the District initiated a strategic planning effort to guide future activities and focus for the District staff. This process will continue into 2014. The District is looking at both short and long term financial planning horizons.

Independent Audit

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

GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Component Unit Financial Report for the year ended June 30, 2012. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The report satisfies both accounting principles generally accepted in the United State of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe we have met the GFOA's standards for financial reporting for the year ended June 30, 2013, and therefore, the District will again be submitting its current Comprehensive Annual Financial Report to that body for consideration for a Certificate of Achievement. To that end, we will advise the Board of the results of the GFOA's review of our report.

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

Acknowledgments

We wish to express our appreciation to the entire Water Environment Services staff for their efforts and contributions to our annual audit. Our appreciation is especially extended to the Business and Financial Services Section who works diligently year-round to maintain accurate and timely financial records for the District. This effort is crucial to the success of WES and the well being of its ratepayers.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'MK', is written over a solid horizontal line.

Michael Kuenzi, P.E.
Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Clackamas County Service District #1
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Financial Statements



TM

REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Clackamas County Service District No. 1 (the District), a component unit of Clackamas County, Oregon, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

MOSS ADAMS_{LLP}

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules on pages 37 to 47 (collectively, the supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

MOSS ADAMS_{LLP}**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 4, 2013, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



James C. Lanzarotta, Partner
for Moss Adams LLP
Eugene, Oregon
December 4, 2013

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2013

As management of Clackamas County Service District No. 1 (the District), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Our assets exceeded our liabilities at the close of the fiscal year by \$158,377. Of this amount, \$34,873 (unrestricted net position) may be used to meet our ongoing obligations of providing sanitary sewage treatment and surface water management services.
- The District's total assets increased to \$274,991 from \$274,596 in 2012 and were at \$278,083 in 2011. The change from 2012 included a decrease in current pooled cash and investments of \$267, an increase in accounts receivable of \$525, and an increase in unbonded assessments receivable, noncurrent portion of \$7,249.
- The decrease in capital assets of \$8,062 is due to changes in the sewage collection assets. Plant and equipment, net increased by \$21,886, however, land and construction work in progress fell by \$29,788.
- Total liabilities decreased \$4,280 from 2012, which in turn had a decrease of \$2,029 from 2011. The 2013 decrease was primarily a result of a decrease in long term debt, net of current portion, payable from restricted assets of \$4,021 and a decrease of \$924 in accounts payable.
- Total net position increased \$4,675. Total operating revenues increased by \$1,945 over 2012 and operating expenses increased by \$1,642. Depreciation and amortization expense increased by \$602. The cost of contracted salaries and benefits were up \$449. The increase in operating revenue resulted in a decrease in the operating loss of \$303. This compares with a \$484 increase in operating revenues and a \$9,001 increase in operating expenses in 2012 over 2011.
- In 2013 nonoperating revenue (expense) increased \$952. Interest income showed little change, however, interest expense increased by \$990.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Overview of the Financial Statements

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

The Statements of Net Position present information on all of the District's assets, liabilities, and net position. Over time, changes in assets, liabilities, and net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

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

The Statements of Cash Flows are an analysis of the change in the District's cash balance during the fiscal year. They are divided into four components; cash flows from operating activities, cash flows from capital and related financing activities, cash flows from non-capital activities, and cash flows from investing activities.

The basic financial statements contain information relating to the District's operations. These are centered on the Kellogg Creek Water Pollution Control Plant located in Milwaukie, Oregon and other smaller treatment facilities in Boring, Hoodland and Fischer's Forest Park.

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the government wide statements. The notes can be found on pages 18 through 36 of this report.

Financial Analysis

The financial operations of the District are primarily related to the collection, transmission and treatment of sanitary sewage and surface water management. Current assets rose by \$665. Pooled cash and investments, current decreased

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Financial Analysis (Continued)

by \$267. Unbonded assessments receivable, current increased by \$384. Accounts receivable increased by \$525.

The following table offers a comparison of net assets, liabilities, and net position at June 30, 2013, 2012, and 2011:

	<u>Net Position</u>		
	(Thousands of Dollars)		
	2013	2012	2011 (As Restated)
	<u>2013</u>	<u>2012</u>	<u>(As Restated)</u>
Current assets	\$ 27,352	\$ 26,687	\$ 40,012
Other assets, net	10,757	3,707	2,149
Pooled cash & investments-restricted	15,012	14,270	12,780
Capital assets, net	<u>221,870</u>	<u>229,932</u>	<u>223,142</u>
Total assets	<u>274,991</u>	<u>274,596</u>	<u>278,083</u>
Current liabilities	7,879	8,131	8,879
Noncurrent liabilities	<u>108,734</u>	<u>112,762</u>	<u>114,044</u>
Total liabilities	<u>116,613</u>	<u>120,893</u>	<u>122,923</u>
Net investment in capital assets	116,536	120,907	128,393
Restricted	6,968	6,491	4,596
Unrestricted	<u>34,873</u>	<u>26,305</u>	<u>22,171</u>
Total net position, end of period	<u>\$ 158,377</u>	<u>\$ 153,703</u>	<u>\$ 155,160</u>

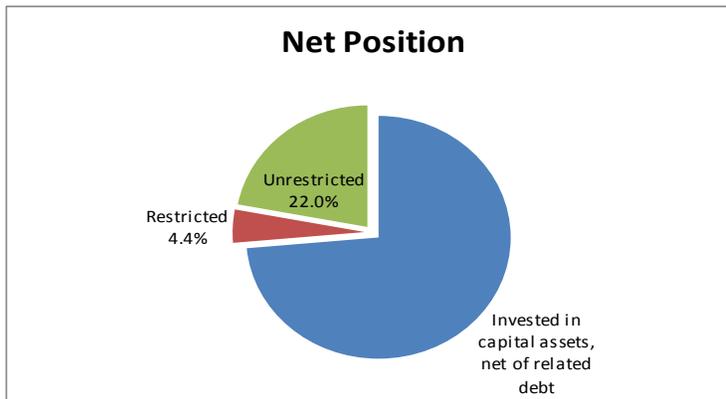
CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Financial Analysis (Continued)

Net position rose by \$4,675. Capital assets decreased \$8,062. Depreciation expense was higher in 2013 due to construction in progress assets that were completed and placed in service during 2013. Noncurrent unbonded assessments receivable increased \$7,249. The North Clackamas Revitalization Area (NCRA), a large assessment district, was completed in 2013. There are 932 properties, which could potentially be served by this district.



The majority of invested in capital assets, net of related debt are represented by treatment facilities, land, conveyance systems, buildings, office equipment and vehicles. Restricted net position relates to the state loan and system development charges.

Unrestricted net position account for 22% of net position. These amounts have no external restriction concerning their use or function.

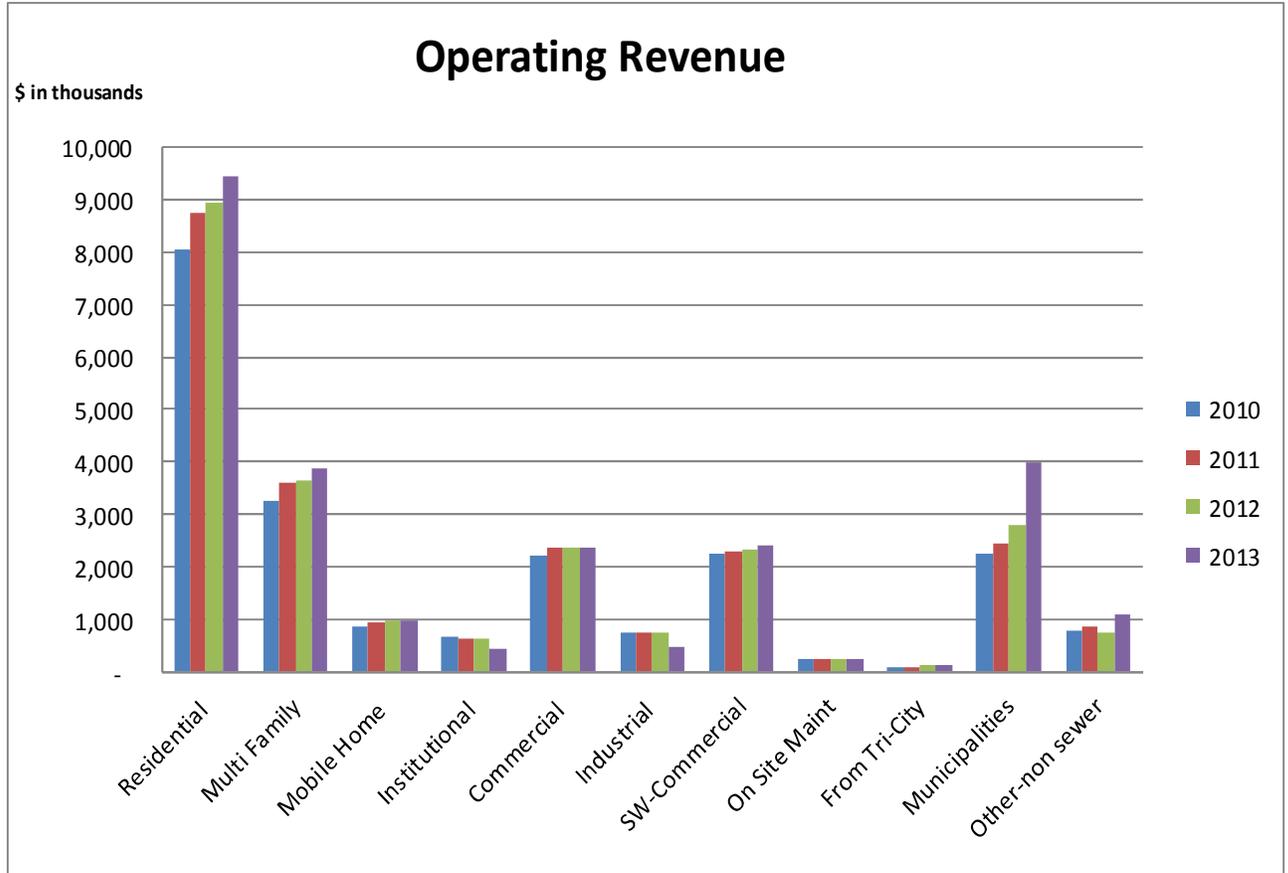
Total operating revenues increased \$1,945. Operating revenues in 2012 and 2011 were \$23,541 and \$23,057, respectively. Revenue from residential and commercial increased 1.9%. Sewer rates increased from \$38 per Equivalent Dwelling Unit (EDU) to \$39.25 per EDU and surface water rates increased from \$6.00 per ESU to \$6.20 per ESU. These rate increases are 3.3%. Residential and commercial revenue increased by less than the rate increase. Some customer categories saw revenues decrease, even though rates increased. Commercial revenues were down 0.4%. Since these properties are billed on water consumption, EDUs in the group can fall. Institutional and Industrial revenues were also down. Revenue from municipalities increased by 43.4%. City of Milwaukie revenue was up \$1,201. A new agreement between the City of Milwaukie and the District was effective July 1, 2012. This agreement raised the wholesale rate slightly. Also as part of the agreement, Milwaukie did an audit of the households it serves and found a significant amount of under-reporting, which led the District to charge Milwaukie for more EDUs.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
 (A Component Unit of Clackamas County, Oregon)

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Financial Analysis (Continued)



Operating expenses increased \$1,642 or 5.8% in 2013. In 2012 operating expenses increased \$9,001 or 47.2% over 2011. Contracted salaries and benefits increased \$499 or 6.9%, due primarily to benefits increases contracted. Professional services increased \$216. The surface water program increased the amount of professional services that were used for projects. The large expense increases included in the Mt. Scott Creek restoration and 129th Culvert Replacement projects. Supplies increased \$199 or 29.4%. Chemicals increased a modest \$43. Sludge removal was up \$50, which is only 6.5%. The District paid an increased amount to Tri-Cities Service District (TCSD) for biosolids processing. Interagency Coordination was up \$138. The District is funding a “good neighbor” program with the City of Milwaukie to work on issues

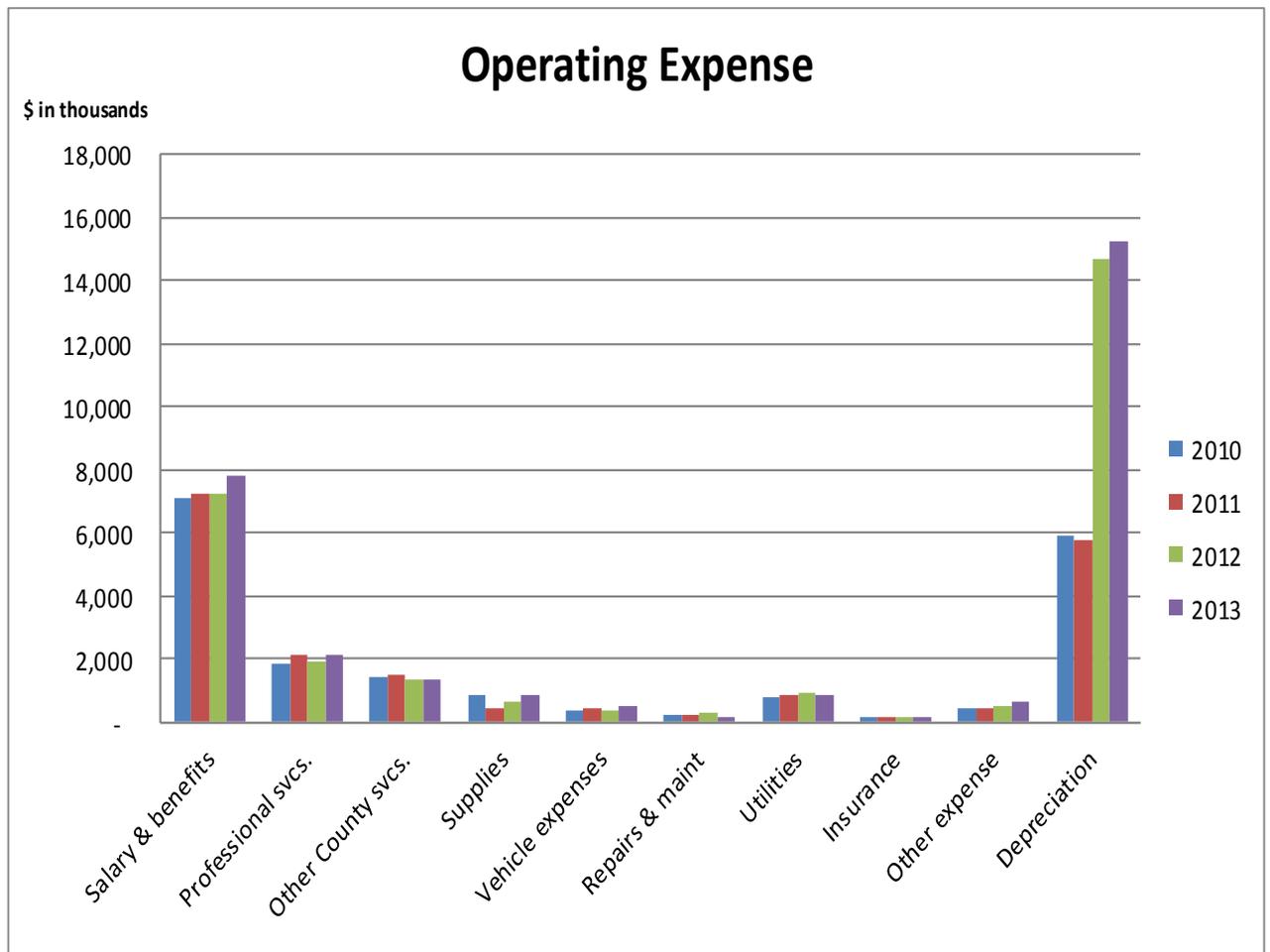
CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
 (A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Financial Analysis (Continued)

surrounding the Kellogg Creek plant. The current focus is on odor control. The District is reserving one dollar per Milwaukie EDU per month for the good neighbor fund. Vehicle expenses were up \$119. The Biosolids and Surface Water programs both used more vehicle hours. Depreciation and amortization increased \$602 in 2013. This increase in depreciation is due to construction in progress assets that were completed and placed in service during 2013. See Note 4 for further details.



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Financial Analysis (Continued)

The following table offers a comparison of revenues, expenses and changes in net position for the years ended June 30, 2013, 2012, and 2011:

	<u>Changes in Net Position</u>		
	(In Thousands of Dollars)		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Sewerage charges			
Residential and commercial	\$ 20,393	\$ 20,017	\$ 19,727
Municipalities and other	4,009	2,794	2,461
Other operating revenues	1,084	730	869
Operating revenues	<u>25,486</u>	<u>23,541</u>	<u>23,057</u>
Operating expenses:			
Contracted salaries and benefits	7,774	7,275	7,240
Materials and services	21,956	20,813	11,847
Operating expenses	<u>29,730</u>	<u>28,088</u>	<u>19,087</u>
Operating income (loss)	<u>(4,244)</u>	<u>(4,547)</u>	<u>3,970</u>
Nonoperating revenue (expense):			
Interest income	477	472	361
Interest expense	(4,442)	(3,452)	(272)
Phase 1 capacity mgmt. expense	-	-	(4,000)
Other	(34)	(67)	(218)
Nonoperating revenue (expense)	<u>(3,999)</u>	<u>(3,047)</u>	<u>(4,129)</u>
Loss before contributions	<u>(8,243)</u>	<u>(7,594)</u>	<u>(159)</u>
Contributions	<u>12,918</u>	<u>6,136</u>	<u>5,037</u>
Change in net position	<u>\$ 4,675</u>	<u>\$ (1,458)</u>	<u>\$ 4,878</u>

In nonoperating revenue (expense) accounts, expenses increased by \$952. Interest income in 2013 increased slightly. Interest expense increased \$990. In fiscal year 2013 the District reduced the capitalization of interest expense, since fewer construction in progress assets became capital assets. Phase 1 capacity

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Financial Analysis (Continued)

management expense decreased \$4,000 from fiscal year 2011 to 2012. The fiscal year 2011 payment was a one-time expense.

Connection charges increased \$8,892. Virtually all (\$8,770) of the increase came from principal revenue received on the new NCRA assessment district. City of Milwaukie connections were also up by \$96. Capital contributions decreased by \$2,111 from an increase in 2012 of \$2,150. In 2012 the Clackamas County Development Agency made a financial contribution to the District of \$1,198 to reduce the cost of final assessments in the NCRA. In 2013 there were no payments from the Development Agency.

Capital Asset and Debt Analysis

The District's capital assets decreased \$8,062 or 3.5% and are detailed in Note 4. Plant and equipment increased \$21,886 due to the completion of construction in progress projects, current year acquisitions, net of depreciation of \$15.2. Land and Construction in Progress decreased \$29,788. The Intertie II project was capitalized in 2013. In 2012 capital assets increased \$6,790 plant and equipment fell by \$7,508. Construction in progress increased \$13,908, due to Intertie II assets that were in progress during 2012.

Noncurrent liabilities decreased by \$4,028 as shown in Notes 6 and 7. Long term debt fell by \$4,021. No new debt was issued, so the reduction is due to principal payments on debt issues. Noncurrent liabilities decreased from \$114,044 in 2011 to \$112,762 in 2012.

At June 30, 2013, the District had two outstanding debt issues of revenue bonds to refinance a 1994 issuance and to finance capital improvements through an assessment district in Happy Valley, three outstanding debt issues of revenue obligations to finance capital improvements, a state revolving loan which financed alternative disinfection at the Kellogg treatment facility and two state revolving loans to finance an assessment district in the NCRA.

A portion of the District's revenue bond debt is payable from assessments levied and collected against the benefited property owners first and, if assessment collections and interest earnings are not sufficient, from operating revenues of the District. The balance of the revenue bond and revenue obligation debt and

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Capital Asset and Debt Analysis (continued)

the state revolving loan fund are payable through operating revenues and connection fees. The District continues to maintain favorable bond ratings with Standard and Poor's Corporation, which increased the rating from AA- to AA in February 2009.

Rates and Charges

The District directly serves an estimated population of 93,919 residents, as well as varied industrial, wholesale (cities) and commercial customers. In December of 2011 Portland State University (PSU) Population Research Center did a population study for the District. Average growth projections within the District for the next seven years are in the range of 1.1 to 1.5 percent per year. Growth was slow in fiscal years 2010 and 2011, due to poor economic conditions. Growth rebounded in 2012 with 572 new connections. Fiscal year 2013 saw 483 new connections. Hookups in the NCRA area are driving much of this growth. The NCRA portion of new connections was 85 and 249 in 2012 and 2013, respectively. Completion of the NCRA has made for the potential of 932 new connections.

While these future customers will increase the District's customer base and hence it's operating revenues, they will also buy into the system through the payment of System Development Charges (SDCs). These charges are used for capital construction costs related to capacity expansion necessary for growth. SDCs can also assist in retiring existing revenue bond debt, should it become necessary. The SDC rate in the North Clackamas Sewer Area remains \$6,600. The exception to this policy is in the NCRA, where customers have been given a \$2,200 credit against the SDC. Clackamas County Development Agency paid for the credit for every existing property in the NCRA. If owners stay in the property for five years, no further SDCs are due. If owners decide to connect five years after the establishment of the assessment district, they still get the \$2,200 credit, but they also owe the \$4,400 balance of the District SDC.

The monthly retail rate for residential sewer service in all sewer service areas increased from \$39.25 to \$40.00 per EDU for fiscal year 2013-14. The monthly fee of \$6.20 per equivalent service unit, currently in place to provide for operations, maintenance, and debt service associated with the District's surface water management responsibilities, was also increased by 2.4% to \$6.35. It is expected that retail rates will be increased as necessary over the next several

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2013

Rates and Charges (continued)

years to accommodate the increased operation, maintenance and debt service requirements attendant with the growing needs of the District.

Economic Factors and Next Year's Budget

Growth in the District resumed in fiscal year 2011-12. The number of connections decreased from 572 in 2012 to 483 in 2013. If the NCRA connections are subtracted from the 2013 growth, then the rate of growth is lower than would be expected in light of the PSU study.

The budget for fiscal year 2013-14 represents a 5.6% increase over the budget for fiscal year 2012-13. On the sanitary sewer side, labor, vehicle, and other county expenses all increased. Labor is up due to benefit increases. The plants have contracted with the County for building maintenance, which has increased other county expenses. Surface water is undertaking more watershed improvement projects, however, their total budget fell by 5.7%. The District budgeted for \$7,875 in sanitary sewer and surface water improvements in 2014.

In July of 2012 the District and Tri-City Service District (TCSD) purchased the former Blue Heron property in West Linn, Oregon. TCSD and the District's primary interest is in the existing industrial outfall permit. This permit was purchased in conjunction with the property. At present the site is not being used, however, a remedial investigation has been completed and awaits DEQ review. Feasibility analysis should be completed by mid-fiscal year 2014. The outfall permit should allow the District to avoid substantial future costs.

Financial Contact

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

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Basic Financial Statements



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF NET POSITION
for the years ended June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Pooled cash and investments	\$ 22,256,420	\$ 22,523,501
Unbonded assessments receivable, net	431,275	47,632
Accrued interest receivable on assessments, net	63,083	67,004
Accounts receivable	4,205,607	3,680,919
Interest receivable	290,416	282,843
Prepaid expenses	104,896	85,029
Total current assets	27,351,697	26,686,928
Noncurrent assets:		
Pooled cash and investments - restricted	15,011,954	14,269,869
Capital assets:		
Land, easements and construction in progress	4,413,767	34,201,873
Plant and equipment, net	217,456,614	195,570,627
Intangible assets, net	-	159,988
Connection charges receivable, noncurrent portion	64,188	30,570
Bond issuance costs	1,143,358	1,203,024
Bonded assessments receivable, net	237,479	271,496
Contracts receivable	1,677,577	1,816,600
Unbonded assessments receivable, noncurrent portion	7,633,892	384,711
Total noncurrent assets	247,638,829	247,908,758
TOTAL ASSETS	274,990,526	274,595,686
LIABILITIES		
Current liabilities:		
Accounts payable	1,317,945	2,242,254
Accrued contract labor	529,260	514,861
Other liabilities	544,960	1,875
Unearned income	69,100	57,800
Due to other Service Districts	173,181	173,181
Due to Clackamas County	126,959	690,390
Accrued interest payable, payable from restricted assets	646,504	366,715
Note Payable		
Loan payable, current portion	450,633	194,756
Current portion of long term debt, payable from restricted assets	4,020,808	3,889,497
Total current liabilities	7,879,350	8,131,329
Noncurrent liabilities:		
Long term unearned income, net of current portion	437,200	404,600
Long term contracts, net of current portion, payable from current assets	9,052,922	9,092,574
Long term debt, net of current portion, payable from restricted assets	99,243,745	103,264,553
Total noncurrent liabilities	108,733,867	112,761,727
TOTAL LIABILITIES	116,613,217	120,893,056
NET POSITION		
Net investment in capital assets	116,536,277	120,906,914
Restricted for capital projects	5,184,537	4,374,745
Restricted for debt service	1,783,218	2,115,635
Unrestricted	34,873,277	26,305,336
TOTAL NET POSITION	\$ 158,377,309	\$ 153,702,630

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Sewerage charges		
Residential and commercial	\$ 20,393,369	\$ 20,016,519
Municipalities and other	4,008,490	2,794,416
Other operating revenues	1,084,477	730,458
	25,486,336	23,541,393
Operating expenses:		
Contracted salaries and benefits	7,773,485	7,274,639
Professional services	1,813,248	1,597,649
Laboratory services	318,366	304,149
Other County services	1,327,312	1,378,572
Supplies	872,686	674,237
Vehicle expenses	483,980	364,836
Repairs and maintenance	158,059	274,951
Utilities	886,071	894,216
Insurance	171,043	165,072
Other expense	668,755	504,752
Depreciation and amortization	15,257,264	14,655,084
	29,730,269	28,088,157
Total operating expenses		
Operating loss	(4,243,933)	(4,546,764)
Nonoperating revenue (expense)		
Interest income	476,623	472,179
Interest expense	(4,442,436)	(3,452,205)
Federal and state grants	195,367	4,992
Dispatchable power	69,100	57,800
Loss on disposal of capital assets	(222,437)	(42,348)
Deferred amount on refunding	(52,623)	(63,710)
Amortization of bond issuance costs	(22,546)	(23,950)
	(3,998,952)	(3,047,242)
Total nonoperating expense		
Loss before contributions	(8,242,885)	(7,594,006)
Contributions:		
Connection charges	12,317,730	3,425,390
Capital contributions	599,834	2,711,101
Total contributions	12,917,564	6,136,491
Change in net position	4,674,679	(1,457,515)
Net position - beginning of year	153,702,630	155,160,145
Net position - end of year	\$ 158,377,309	\$ 153,702,630

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 23,834,820	\$ 22,719,885
Paid to suppliers for goods and services	(5,773,299)	(5,389,607)
Paid to related entities for services	(9,699,708)	(8,151,101)
Other operating revenues	1,068,949	932,497
NET CASH FROM OPERATING ACTIVITIES	9,430,762	10,111,674
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond principal paid	(3,905,000)	(3,395,000)
Interest paid on bonds and contracts	(4,162,647)	(3,462,282)
Assessment and contract principal collected	(7,753,493)	113,613
Interest received on assessments and contracts	(69,839)	50,913
Grant revenue	161,926	11,204
Capital contributed by customers/governments	12,448,801	5,073,545
Payments made on note payable	(194,756)	(186,992)
Proceeds from loans	410,981	2,860,053
Acquisition of capital assets, net of dispositions	(6,473,781)	(21,396,260)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(9,537,808)	(20,331,206)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Dispatchable power agreement	113,000	-
NET CASH FROM NON-CAPITAL ACTIVITIES	113,000	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	469,050	187,341
NET CASH FROM INVESTING ACTIVITIES	469,050	187,341
NET CHANGE IN CASH AND CASH EQUIVALENTS	475,004	(10,032,191)
POOLED CASH AND INVESTMENTS, BEGINNING OF YEAR	36,793,370	46,825,561
POOLED CASH AND INVESTMENTS, END OF YEAR ⁽¹⁾	\$ 37,268,374	\$ 36,793,370
(1) Pooled cash and investments are reflected on the Statements of Net Position as follows:		
Current assets - unrestricted	\$ 22,256,420	\$ 22,523,501
Noncurrent assets - restricted	15,011,954	14,269,869
	\$ 37,268,374	\$ 36,793,370

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF CASH FLOW, Continued
for the years ended June 30, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	<u>\$ (4,243,933)</u>	<u>\$ (4,546,764)</u>
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	15,257,264	14,655,084
Changes in assets and liabilities:		
Other receivables	(632,446)	112,640
Prepaid expenses	(19,867)	(52,258)
Accounts payable and Due to Clackamas County	(1,487,740)	(80,747)
Accrued payroll payable	14,399	21,844
Other liabilities	543,085	1,875
Total adjustments	<u>13,674,695</u>	<u>14,658,438</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 9,430,762</u></u>	<u><u>\$ 10,111,674</u></u>
NONCASH CAPITAL ACTIVITY		
Contributions of capital assets from governments, developers and customers	\$ 468,763	\$ 1,096,708

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District

Clackamas County Service District No. 1 (the District) was organized in March 1967 under the provisions of ORS Chapter 451 to construct and operate a sanitary sewer system in a particular area of Clackamas County, Oregon. As provided by ORS 451.485, the Clackamas County Board of Commissioners is the governing body of the District.

The District has no potential component units. Since Clackamas County, Oregon is financially accountable for, and significantly influences the operations of, the District and the Clackamas County Board of County Commissioners also serves as the District's Board, the District is included as a blended component unit in the Comprehensive Annual Financial Report of Clackamas County, Oregon for the year ended June 30, 2013.

Fiscal and accounting functions and certain repairs and maintenance of capital assets are provided by personnel of Clackamas County Water Environment Services, Department of Transportation and Development, County Treasurer and the County's General Services Agency.

The District's personal services are budgeted as part of Clackamas County (County) and are contracted for with the County.

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

Measurement Focus

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

Basis of Accounting

The District's financial statements are prepared on the accrual basis of accounting. The District has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Pooled Cash and Investments

Pooled cash and investments are comprised of funds held and invested by the Clackamas County Treasurer and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Financial information required by Governmental Accounting Standards Board Statements regarding the accounting and financial reporting for the District's pooled cash and investments, held by the Clackamas County Treasurer, has been disclosed in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. For purposes of the Statements of Cash Flows, pooled cash and investments include all cash and investments held by the Clackamas County Treasurer and LGIP, since they have the general characteristics of a demand deposit account.

Investments in the State of Oregon Treasurer's Local Government Investment Pool are stated at cost which approximates fair value.

The LGIP is administered by the Oregon State Treasurer. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local government in Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the US Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The District is exposed to custodial credit risk because its cash and investments are held by the counterparty in the counterparty's name. This is the risk that in the event of failure of the counterparty, the District's deposits may not be returned. The District's cash and investments are held by Clackamas County in a pool that also includes deposits of Tri-City Service District (TCSD) and Surface Water Management Agency of Clackamas County. The pool consists of bank and local government investment pool accounts and federal treasury securities. This pool is subject to general credit claims of the County. The District believes that the risk of County default is slight and outweighed by the advantages

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pooled Cash and Investments (Continued)

of participation in the Clackamas County Cash and Investment Pool. Reference should be made to the Clackamas County Comprehensive Annual Financial Report for information regarding the interest, credit, and custodial credit risks associated with the County's various cash and investments.

Sewerage User Charges Receivable

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

Assessments Receivable

Assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. The assessments represent liens against benefited property and are generally payable over a period of twenty years at interest rates ranging from 5.4% to 12.09%. The District has determined the collectability of a portion of assessments receivable and accrued interest thereon as doubtful and has established an allowance. The balance of the allowance at June 30, 2013 is \$578,039 of which \$204,095 is accrued interest. Assessments receivable arise from both bonded and unbonded sources. Bonded assessments were funded through revenue bond sales. Unbonded assessments were funded from the District's operations.

Restricted Assets and Related Liabilities

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated fair market value at the time of donation in the case of contributed sewer pipe installation from developers. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Sewage treatment plant	20-50 years
Sewage treatment line system	20-50 years
Equipment	10-15 years

Intangible Assets

Intangible assets include software and are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the life of five years.

Capitalized Interest

Interest costs are capitalized as part of the costs of capital assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments, acquired with the proceeds of such borrowed funds from the date of the borrowing until the assets are ready for their intended use, is used to reduce the interest costs capitalized on the constructed assets. Interest is not capitalized for acquisitions funded by capital grants or other outside parties, which are externally restricted for the acquisition of specified assets. Total interest expense for the year was \$4,442,436 in 2013 and \$3,452,205 in 2012. Interest in the amount of \$103,818 and \$916,195 was capitalized for 2013 and 2012, respectively.

Bonds

Bond issuance costs, premiums and discounts are amortized over the life of the associated bond issuances. For the loss on refunding, the amortization period is the life of the new bonds or the old bonds, whichever is shorter.

Net Position

Net position comprises the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following four components: Net investment in capital assets; Restricted for capital projects; Restricted for debt service; and Unrestricted net position. Net investment in capital assets consists of all capital assets and intangibles, net of accumulated depreciation and amortization and reduced by outstanding debt (revenue bonds and other debt obligations) that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

the determination. Restricted for capital projects and debt service consists of net assets on which constraints are placed by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including legal mandates. The balance in Restricted for capital projects of \$5,184,537 is restricted due to enabling legislation. This balance relates to unspent System Development Charges. Unrestricted consists of all other assets not included in the above categories.

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

Budget

The District is required by state law to budget its operations on a fund basis. The budget is generally prepared on the modified accrual basis of accounting. The resolution authorizing appropriations for the District's funds sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the principal object level - materials and services, reserve for capital improvement, capital outlay, debt service, transfers, contingency and other – which are the levels of control established by the resolution. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Management may make transfers of appropriations within object levels. However, transfers of appropriations among object levels require approval by the Board. Unexpected additional resources may be added to the budget through the use of a supplemental budget. The Board, at a regular Board meeting, may adopt a supplemental budget less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publications in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control and require approval by the Board. During the fiscal year the District made appropriation transfers from contingency to capital outlay in the Sanitary Sewer Construction Fund in the amount of \$400,000. All annual appropriations lapse at fiscal year end.

Risk Management

The District purchases insurance coverage for automobile, flood, earthquake, liability, machinery, and business risks. These policies are subject to minimum deductibles. The District participates in the County's self-insurance program where not commercially

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management (Continued)

insured. All personnel of the District are contracted from the County and the County bears all risk of loss. The County is fully self-insured for unemployment benefits and short-term disability benefits and partially self-insured for dental benefits and workers' compensation. The County carries coverage in excess of \$1,000,000 with an outside insurer for workers' compensation claims. There have been no significant reductions in insurance coverage from the prior year for any category of risk, and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

Use of Estimates

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

Reclassifications

Certain line items in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2013, the District implemented the following GASB Pronouncements:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

Issued June 2011, this Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of the Statement are effective for financial statements for periods beginning after December 15, 2011.

Future Adoption of GASB Pronouncements

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2013:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

Issued March 2012, this Statement establishes accounting and financial reporting

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Adoption of GASB Pronouncements (Continued)

standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, Technical Corrections

Issued March 2012, the objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations

Issued January 2013, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

Issued April 2013, this Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The District will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The District is currently evaluating if the above listed new GASB pronouncements will have a significant financial impact to the District or in issuing its financial statements.

2. POOLED CASH AND INVESTMENTS

Pooled cash and investments are comprised of the following:

	2013	2012
Petty Cash	\$ 1,500	\$ 1,550
Pooled cash and investments	37,266,874	36,791,820
	\$ 37,268,374	\$ 36,793,370

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

2. POOLED CASH AND INVESTMENTS (Continued)

Pooled cash and investments are held by the County Treasurer and represent the District's equity in pooled accounts maintained by the County Treasurer. State statutes authorize the District to invest in general obligations of the U.S. Government and in its agencies, certain bonded obligations of Oregon municipalities, certain corporate indebtedness, bank repurchase agreements, bankers' acceptances and the State of Oregon Treasurer's Local Government Investment Pool (LGIP) among others. Reference should be made to the June 30, 2013 Clackamas County Comprehensive Annual Financial Report for compliance with these statutes.

Credit Risk

Oregon Revised Statutes limit the types of investments that the District may have. The District is in compliance with these statutes at June 30, 2013. The District is also in compliance with the County's investment policy, which requires the County to limit exposure to credit risk, concentrating its investments in the safest types of securities, diversifying the investment portfolio so that potential losses on individual securities will be minimized, actively monitoring the investment portfolio holdings for ratings changes, changing economic or market conditions, and pre-qualifying the financial institutions with which the County will do business.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a national statistical rating organization. The State of Oregon LGIP is unrated. Investments with the County Treasurer are invested in US Treasury or US Agencies rated AAA or AA+.

3. ACCOUNTS RECEIVABLE

	2013	2012
Current connection charges receivable, including interest of \$4,062 and \$2,881 at June 30, 2013 and 2012, respectively	\$ 114,536	\$ 14,417
Sewerage user charges	3,514,945	2,947,906
Interest receivable on unbonded assessments	334,312	260,552
Grant receivable	45,229	11,788
Loan receivable	-	315,077
Clackamas County	52,834	2,955
Miscellaneous	143,751	128,224
	\$ 4,205,607	\$ 3,680,919

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance				Balance
	June 30, 2012	Additions	Transfers	Deletions	June 30, 2013
Capital assets not being depreciated:					
Land	\$ 3,871,077	\$ 26,819	\$ 72,777	\$ -	\$ 3,970,673
Construction in progress	30,330,796	6,983,722	(36,616,107)	(255,317)	443,094
Total capital assets not being depreciated	<u>34,201,873</u>	<u>7,010,541</u>	<u>(36,543,330)</u>	<u>(255,317)</u>	<u>4,413,767</u>
Capital assets being depreciated and amortized:					
Intangibles	802,162	-	-	-	802,162
Sewerage treatment plant	168,652,878	-	14,691,794	-	183,344,672
Sewerage treatment line system	106,659,292	441,947	21,234,573	-	128,335,812
Equipment	9,214,451	-	616,963	(236,467)	9,594,947
Total capital assets being depreciated and amortized	<u>285,328,783</u>	<u>441,947</u>	<u>36,543,330</u>	<u>(236,467)</u>	<u>322,077,593</u>
Less accumulated depreciation and amortization for:					
Intangibles	(642,174)	(159,988)	-	-	(802,162)
Sewerage treatment plant	(48,341,017)	(12,464,687)	-	-	(60,805,704)
Sewerage treatment line system	(33,001,041)	(2,364,545)	-	-	(35,365,586)
Equipment	(7,613,936)	(268,044)	-	234,453	(7,647,527)
Total accumulated depreciation and amortization	<u>(89,598,168)</u>	<u>(15,257,264)</u>	<u>-</u>	<u>234,453</u>	<u>(104,620,979)</u>
Total capital assets being depreciated & amortized, net	<u>195,730,615</u>	<u>(14,815,317)</u>	<u>36,543,330</u>	<u>(2,014)</u>	<u>217,456,614</u>
Total capital assets, net	<u>\$ 229,932,488</u>	<u>\$ (7,804,776)</u>	<u>\$ -</u>	<u>\$ (257,331)</u>	<u>\$ 221,870,381</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

4. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Transfers	Deletions	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 3,319,467	\$ 33,762	\$ 517,848	\$ -	\$ 3,871,077
Construction in progress	16,422,889	21,938,799	(7,538,648)	(492,244)	30,330,796
Total capital assets not being depreciated	19,742,356	21,972,561	(7,020,800)	(492,244)	34,201,873
Capital assets being depreciated and amortized:					
Intangibles	802,162	-	-	-	802,162
Sewerage treatment plant	162,849,127	447,370	6,978,544	(1,622,163)	168,652,878
Sewerage treatment line system	106,043,716	615,576	-	-	106,659,292
Equipment	9,172,195	-	42,256	-	9,214,451
Total capital assets being depreciated and amortized	278,867,200	1,062,946	7,020,800	(1,622,163)	285,328,783
Less accumulated depreciation and amortization for:					
Intangibles	(481,742)	(160,432)	-	-	(642,174)
Sewerage treatment plant	(36,995,519)	(11,870,338)	-	524,840	(48,341,017)
Sewerage treatment line system	(30,642,979)	(2,358,062)	-	-	(33,001,041)
Equipment	(7,347,684)	(266,252)	-	-	(7,613,936)
Total accumulated depreciation and amortization	(75,467,924)	(14,655,084)	-	524,840	(89,598,168)
Total capital assets being depreciated & amortized, net	203,399,276	(13,592,138)	7,020,800	(1,097,323)	195,730,615
Total capital assets, net	\$ 223,141,632	\$ 8,380,423	\$ -	\$ (1,589,567)	\$ 229,932,488

On May 2, 2011 the Phase 1 Capacity Expansion Project brought on line \$93,004,000 of capital assets, consisting primarily of the Membrane Bioreactor (MBR) treatment facility. This facility is located at the TCSD location and expands the District's capacity to treat sewage for existing customers and for potential growth. See Note 8 for information on the Intergovernmental Agreement (IGA) between the District and TCSD, which allowed for the development of the MBR facility.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

5. CONTRACTS RECEIVABLE

On May 17, 2012, the District signed a sale agreement and note receivable with Clackamas County for the sale of the District's portion of the building located at 9101 SE Sunnybrook Boulevard. Per the terms of the agreement, interest will accrue on the principal at the rate of 4.325% per annum until the note's maturity date of December 31, 2022. As of June 30, 2013 the balance of the note was \$1,560,428, plus accrued interest in the amount of \$238,663.

6. LOANS PAYABLE

Amounts represent obligations for state revolving loans from the Department of Environmental Quality (DEQ), which were used for the construction of capital assets and are payable in annual and semi-annual installments. The original amount of Loan R22401 was \$2,914,744.

In November of 2011, the District amended the American Recovery and Reinvestment Act Loan R06224 that was originally awarded in 2009. The amount of this loan is \$4,142,142 which financed construction of collector sewers in the North Clackamas Revitalization Area (NCRA). These funds are administered by the Oregon DEQ. Of the total amount, \$2,071,071 (50%) is in the form of a loan to be forgiven at the completion of the project. Accordingly, \$2,000,000 was reported as capital contributions in 2010, and \$71,071 was reported as capital contributions in 2013. Disbursements of loan proceeds by DEQ are made following submission of eligible invoices by the District. As of June 30, 2013, the District had submitted and received reimbursement requests in the amount of \$4,142,142. Loan payments are payable in semi-annual installments of principal and interest over 20 years, with a stated interest rate of 0%. Payments commence in fiscal year 2013-14.

In September of 2011, the District amended the \$5,000,000 Oregon Department of Environmental Quality Loan R22403 that was received in April of 2010. The total amount of this loan is \$7,018,376 to finance construction of collector sewers in the North Clackamas Revitalization Area. Disbursements of loan proceeds by the DEQ are made following submission of eligible invoices by the District. As of June 30, 2013, the District had submitted and received \$7,018,376 in reimbursable expenses. Loan payments are payable in semi-annual installments of principal and interest over 20 years and commence in fiscal year 2013-14.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

6. LOANS PAYABLE (Continued)

These loans are collateralized by future sewer revenues and contain certain financial covenants. As of June 30, 2013 and 2012, the District was in compliance with these covenants.

Changes in loans payable for the year ended June 30, 2013 are as follows:

	Interest Rates	Outstanding July 1, 2012	Increases	Decreases	Outstanding June 30, 2013	Current Portion
Revolving Loan R22401	4.11%	\$ 608,864	\$ -	\$ (194,756)	\$ 414,108	\$ 202,843
Revolving Loan R06224	0.00%	2,142,142	-	(71,071)	2,071,071	106,208
Revolving Loan R22403	2.77%	6,536,324	482,052	-	7,018,376	141,582
		<u>\$ 9,287,330</u>	<u>\$ 482,052</u>	<u>\$ (265,827)</u>	<u>\$ 9,503,555</u>	<u>\$ 450,633</u>

Changes in loans payable for the year ended June 30, 2012 are as follows:

	Interest Rates	Outstanding July 1, 2011	Increases	Decreases	Outstanding June 30, 2012	Current Portion
Revolving Loan R22401	4.11%	\$ 795,856	\$ -	\$ (186,992)	\$ 608,864	\$ 194,756
Revolving Loan R06224	0.00%	2,000,000	142,142	-	2,142,142	-
Revolving Loan R22403	2.77%	3,818,413	2,717,911	-	6,536,324	-
		<u>\$ 6,614,269</u>	<u>\$ 2,860,053</u>	<u>\$ (186,992)</u>	<u>\$ 9,287,330</u>	<u>\$ 194,756</u>

Future maturities of revolving loans are as follows:

Year	Principal	Interest	Admin. Fees	Total
2014	\$ 450,633	\$ 460,740	\$ 23,375	\$ 934,748
2015	606,547	238,793	43,759	889,099
2016	403,346	221,665	41,229	666,240
2017	411,633	211,341	39,192	662,166
2018	420,153	200,741	37,112	658,006
2019-2023	2,237,096	834,632	152,818	3,224,546
2024-2028	2,488,671	524,054	93,815	3,106,540
2029-2033	2,485,476	169,677	28,076	2,683,229
	<u>\$ 9,503,555</u>	<u>\$ 2,861,643</u>	<u>\$ 459,376</u>	<u>\$ 12,824,574</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

7. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2013, are as follows:

	Interest Rates	Outstanding July 1, 2012	Increases	Decreases	Outstanding June 30, 2013	Current Portion
Revenue Bonds - 2002A	3.000% - 4.875%	\$ 1,535,000	\$ -	\$ (140,000)	\$ 1,395,000	\$ 140,000
Revenue Bonds - 2002B	2.000% - 3.650%	3,075,000	-	(990,000)	2,085,000	1,025,000
Revenue Obligations - 2009A	2.000% - 4.700%	36,205,000	-	(965,000)	35,240,000	995,000
Revenue Obligations - 2009B	2.250% - 5.000%	42,140,000	-	(1,160,000)	40,980,000	1,200,000
Revenue Obligations - 2010	2.000% - 4.625%	23,475,000	-	(650,000)	22,825,000	665,000
		<u>106,430,000</u>	<u>-</u>	<u>(3,905,000)</u>	<u>102,525,000</u>	<u>4,025,000</u>
Premium - 2009A		79,127	-	(3,652)	75,475	3,652
Premium - 2009B		438,706	-	(19,425)	419,281	19,426
Premium - 2010		329,979	-	(14,042)	315,937	14,042
Less deferred amount on refunding - 2002B		<u>(123,762)</u>	<u>52,622</u>	<u>-</u>	<u>(71,140)</u>	<u>(41,312)</u>
		<u>\$ 107,154,050</u>	<u>\$ 52,622</u>	<u>\$ (3,942,119)</u>	<u>\$ 103,264,553</u>	<u>\$ 4,020,808</u>

Changes in long-term debt for the year ended June 30, 2012, are as follows:

	Interest Rates	Outstanding July 1, 2011	Increases	Decreases	Outstanding June 30, 2012	Current Portion
Revenue Bonds - 2002A	3.000% - 4.875%	\$ 1,675,000	\$ -	\$ (140,000)	\$ 1,535,000	\$ 140,000
Revenue Bonds - 2002B	2.000% - 3.650%	4,030,000	-	(955,000)	3,075,000	990,000
Revenue Obligations - 2009A	2.000% - 4.700%	37,140,000	-	(935,000)	36,205,000	965,000
Revenue Obligations - 2009B	2.250% - 5.000%	43,270,000	-	(1,130,000)	42,140,000	1,160,000
Revenue Obligations - 2010	2.000% - 4.625%	23,710,000	-	(235,000)	23,475,000	650,000
		<u>109,825,000</u>	<u>-</u>	<u>(3,395,000)</u>	<u>106,430,000</u>	<u>3,905,000</u>
Premium - 2009A		82,779	-	(3,652)	79,127	3,652
Premium - 2009B		458,132	-	(19,426)	438,706	19,426
Premium - 2010		344,021	-	(14,042)	329,979	14,042
Less deferred amount on refunding - 2002B		<u>(187,472)</u>	<u>63,710</u>	<u>-</u>	<u>(123,762)</u>	<u>(52,623)</u>
		<u>\$ 110,522,460</u>	<u>\$ 63,710</u>	<u>\$ (3,432,120)</u>	<u>\$ 107,154,050</u>	<u>\$ 3,889,497</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

7. LONG-TERM DEBT (Continued)

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

	<u>2013</u>	<u>2012</u>
Current maturities - face value	\$ 4,025,000	\$ 3,905,000
Premium	37,120	37,119
Less deferred amount in refunding	(41,312)	(52,622)
	<u>\$ 4,020,808</u>	<u>\$ 3,889,497</u>
Future maturities - face value	\$ 98,500,000	\$ 102,525,000
Premium	773,573	810,693
Less deferred amount in refunding	(29,828)	(71,140)
	<u>\$ 99,243,745</u>	<u>\$ 103,264,553</u>

Revenue Bonds 2002A and 2002B

Revenue bonds are payable from monthly sewer and surface water user fees collected from customers connected to and benefited by the systems. The original amount was \$15,698,000 and was used to finance capital improvements and capital improvements through an assessment district.

Maturities of bond principal and interest, as refunded, at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,165,000	\$ 118,506
2015	1,200,000	74,983
2016	135,000	49,589
2017	140,000	43,400
2018	140,000	36,995
2019-2023	700,000	85,033
	3,480,000	<u>\$ 408,506</u>
Less deferred amount in refunding	<u>(71,140)</u>	
	<u>\$ 3,408,860</u>	

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

7. LONG-TERM DEBT (Continued)

Revenue Bonds 2002A and 2002B (Continued)

Under the revenue bond agreements, the District has agreed to covenants that it will charge user rates and fees in connection with the operation of the sewer system which are adequate to cover annual debt service as required by the bond agreements. The District was in compliance with these covenants during the years ended June 30, 2013 and 2012.

In prior years, the District defeased revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$2,135,000 of bonds outstanding is considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,051,754 (net of \$133,246 of issuance costs). This difference, reported in the accompanying basic financial statements as a deferred charge on refunding, will be amortized through 2015 on the effective interest method. The District completed the advance refunding to reduce its total debt service payments over the next 20 years by \$712,249 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$616,241.

Revenue Obligations 2009A, 2009B and 2010

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

Maturities of 2009A bond principal at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest
2014	\$ 995,000	\$ 1,429,543
2015	1,030,000	1,404,143
2016	1,070,000	1,372,643
2017	1,110,000	1,339,943
2018	1,160,000	1,305,893
2019-2023	6,685,000	5,893,663
2024-2028	8,730,000	4,353,419
2029-2033	11,675,000	2,064,236
2034	2,785,000	64,403
	<u>\$ 35,240,000</u>	<u>\$ 19,227,889</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

7. LONG-TERM DEBT (Continued)

Revenue Obligations 2009A, 2009B and 2010 (Continued)

Maturities of 2009B bond principal at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest
2014	\$ 1,200,000	\$ 1,670,050
2015	1,235,000	1,609,175
2016	1,270,000	1,564,013
2017	1,315,000	1,523,425
2018	1,360,000	1,469,925
2019-2023	7,670,000	6,471,225
2024-2028	9,470,000	4,766,025
2029-2033	11,870,000	2,592,238
2034-2035	5,590,000	254,475
	<u>\$ 40,980,000</u>	<u>\$ 21,920,551</u>

Maturities of 2010 bond principal at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest
2014	\$ 665,000	\$ 897,969
2015	680,000	884,519
2016	765,000	870,069
2017	770,000	850,869
2018	790,000	827,469
2019-2023	4,195,000	3,665,594
2024-2028	5,275,000	2,716,119
2029-2033	5,570,000	1,576,250
2034-2036	4,115,000	302,822
	<u>\$ 22,825,000</u>	<u>\$ 12,591,680</u>

Under the revenue obligation agreements, the District has agreed to covenants that it will charge user rates and fees in connection with the operation of the sewer system, which are adequate to cover annual debt service as required by the bond agreements. The District has also agreed to maintain restricted reserve accounts to provide for the payment of debt service in the event that pledged revenues are not sufficient to pay debt service when due. The District was in compliance with these covenants during the years ended June 30, 2013 and 2012.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

7. LONG-TERM DEBT (Continued)

At June 30, 2013, future pledged revenues are as follows:

Purpose	Revenue Stream	For the Year Ending June 30, of Final Payments	Future Pledged Revenue Debt Outstanding	For the Year Ended June 30, 2013 Revenue	For the Year Ended June 30, 2013 Debt (P&I) Payments
State Loan R22401	Sewer Fees	2015	\$ 414,108	\$ 24,401,859 *	\$ 219,080
State Loan R06224	Sewer Assessments	2032	2,071,071	-	-
State Loan R22403	Sewer Assessments	2032	7,018,376	-	-
Revenue Bonds 2002A	Sewer Fees	2023	1,395,000	-	207,450
Revenue Bonds 2002B	Sewer & Surface Water Fees	2015	2,085,000	-	1,082,155
Revenue Obligations 2009A	Sewer Fees	2035	35,240,000	-	2,418,968
Revenue Obligations 2009B	Sewer Fees	2036	40,980,000	-	2,877,450
Revenue Obligations 2010	Sewer Fees	2037	22,825,000	-	1,561,119
Total			<u>\$ 112,028,555</u>	<u>\$ 24,401,859</u>	<u>\$ 8,366,222</u>

* Same revenue source pledged for multiple purposes.

8. RELATED PARTY TRANSACTIONS

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

- Clackamas County
- Clackamas County Development Agency
- Clackamas County Service District No. 5
- Tri-City Service District
- Surface Water Management Agency of Clackamas County
- Housing Authority of Clackamas County
- North Clackamas Parks and Recreation District
- Clackamas County Enhanced Law Enforcement District
- Estacada Area County Service District for Library Services
- Library District of Clackamas County
- Clackamas County Extension and 4-H Service District

The District allocated certain joint costs totaling approximately \$1,239,000 and \$2,029,000 in 2013 and 2012, respectively, to other County Service Districts.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

8. RELATED PARTY TRANSACTIONS (Continued)

During fiscal years 2013 and 2012, fiscal and accounting functions and certain repairs and maintenance on plant and equipment were performed by personnel of various Clackamas County departments, including Water Environment Services, Department of Transportation and Development, and County Treasurer. Operating expenses in the Statements of Revenues, Expenses and Changes in Net Assets for 2013 and 2012, charged by the above departments, totaled approximately \$9,101,000 and \$8,653,000 respectively.

At June 30, related party balances consist of:

	Receivable		Payable	
	2013	2012	2013	2012
Clackamas County	\$ 1,851,925 *	\$ 1,952,778	\$ 126,959	\$ 690,390
Clackamas County - Accrued payroll payable	-	-	529,260	514,861
Subtotal	<u>1,851,925</u>	<u>1,952,778</u>	<u>656,219</u>	<u>1,205,251</u>
Tri-City Service District	-	-	173,181	173,181
Subtotal	<u>-</u>	<u>-</u>	<u>173,181</u>	<u>173,181</u>
Total	<u>\$ 1,851,925</u>	<u>\$ 1,952,778</u>	<u>\$ 829,400</u>	<u>\$ 1,378,432</u>

*Amounts included in accounts receivable, interest receivable and contracts receivable on the Statements of Net Position.

The District and TCSD entered into an IGA on December 18, 2008. The agreement allowed the District to divert a certain amount of sewage to TCSD for treatment. The District agreed to pay TCSD for this diversion and treatment according to a formula contained in the agreement. This IGA ended in 2011.

The District and TCSD entered into an IGA as of December 18, 2008. Per the terms of this IGA, the District paid TCSD \$4,000,000 in 2011 as a one-time payment for the use of the existing capital infrastructure of the Tri-City Treatment Plant and as compensation for the opportunity to lease land and attach the Phase 1 Capacity to existing TCSD infrastructure.

On May 12, 2011, the Districts amended the 2008 IGA to address the future sharing of operations and maintenance expenses that arise from the joint operation of the Districts' assets at the Tri-City Plant.

On January 6, 2011, the District entered into an IGA with Tri-City Service District for treatment of biosolids. Per the terms of this IGA, Clackamas County Service District No. 1 paid Tri-City Service District \$711,756 in 2012-13 and \$246,358 in 2011-12 for biosolids treatment services.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013 and 2012

8. RELATED PARTY TRANSACTIONS (Continued)

On December 13, 2012, the District entered into a Mutual Investment Agreement with Clackamas County Service District No. 1 for the purchase of the Blue Heron property. The parties agreed that each would be responsible for one-half of the purchase price and related expenditures in the amount of \$875,335.

9. COMMITMENTS

The District has commitments under contractual agreements for various multi-year contracts amounting to approximately \$1,443,000.

10. LITIGATION

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

11. POLLUTION REMEDIATION

On July 19, 2012 the Oregon Department of Environmental Quality (DEQ) issued a Consent Order to TCSD and the District. The purpose of the agreement was to: (a) protect the public health, safety, and welfare and the environment through the design and implementation of remedial measures on the Blue Heron site; (b) to facilitate productive reuse of the property; and (c) to provide TCSD and the District with protection from potential liabilities in accordance with applicable law. The Remedial Investigation and Risk Assessment have been completed and are awaiting DEQ review. The Feasibility Study is scheduled for completion in December 2013. At that time the District should be able to estimate remediation costs, as well as scheduling for the work. The District will budget these costs in fiscal year 2014-15.

12. SUBSEQUENT EVENTS

The District and TCSD are finalizing an IGA for maintenance and facilities management services with Clackamas County. It is estimated that the Districts will pay the County not more than \$266,000 for the fiscal year 2014.

There is an August 6, 2013 IGA between the District and North Clackamas Parks and Recreation District (NCPRD) for the conveyance of a parcel of land in the Three Creeks area. The purchase price is \$0.00 with NCPRD receiving payments not to exceed \$56,600 for support of on-going enhancement and maintenance during fiscal year 2014.

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Supplementary Information



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
DESCRIPTION OF BUDGETARY FUNDS

Basis of Accounting

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

Fund Descriptions

Sanitary Sewer and Surface Water Funds

The Sanitary Sewer and Surface Water Funds account for all activities not accounted for by the District's other funds, primarily sewerage and surface water operations. Primary resources are monthly service charges and interest earnings.

System Development Charge Funds

The Sanitary Sewer and Surface Water System Development Charge (SDC) Funds account for capital expenditures that are related to growth or capacity increases. The primary resources are connection fees.

State Revolving Loan Debt Service Fund

The State Revolving Loan Debt Service Fund accounts for payment of the Department of Environmental Quality loans. The primary revenue source is an operating transfer from the Sanitary Sewer Fund.

Revenue Bond Fund

The Revenue Bond Fund accounts for redemption of revenue bonds and interest thereon. The primary resource is sewer user and surface water management monthly fees transferred from other funds.

Construction Funds

The Sanitary Sewer and Surface Water Construction Funds account for non-SDC capital expenditures. The primary resources are transfers from other funds, interest earnings and bond proceeds.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013		Variance with Final Budget Positive (Negative)	2012 Actual
	Original And Final Budget	Actual		
REVENUES:				
Monthly service charges	\$ 16,533,045	\$ 16,886,603	\$ 353,558	\$ 16,254,013
Operation payments by cities	3,964,464	4,008,490	44,026	2,794,416
Intergovernmental revenue	-	-	-	1,423,204
Assessments collected (including interest of \$26,376 in 2013 and \$36,751 in 2012)	40,000	1,163,253	1,123,253	36,751
Sewer hookup fees	10,000	-	(10,000)	-
Sewer hookup contract payment (including interest of \$1,635 in 2013 and \$1,404 in 2012)	-	70,193	70,193	1,404
Special connection charges	220,000	53,080	(166,920)	129,796
Interest on investments	28,430	103,363	74,933	256,239
Dispatchable power	-	113,000	113,000	-
Gain on sale of assets	-	194,867	194,867	-
Miscellaneous	750,000	761,603	11,603	877,071
Total revenues	<u>21,545,939</u>	<u>23,354,452</u>	<u>1,808,513</u>	<u>21,772,894</u>
EXPENDITURES:				
Materials and services	11,743,659	10,841,365	902,294	10,172,518
Contingency	2,174,366	-	2,174,366	-
Total expenditures	<u>13,918,025</u>	<u>10,841,365</u>	<u>3,076,660</u>	<u>10,172,518</u>
Revenues over (under) expenditures	<u>7,627,914</u>	<u>12,513,087</u>	<u>4,885,173</u>	<u>11,600,376</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL, Continued
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013		Variance with Final Budget Positive (Negative)	2012 Actual
	Original And Final Budget	Actual		
OTHER FINANCING USES:				
Transfers to other funds:				
Revenue Bond Fund	(7,559,964)	(7,559,962)	2	(7,558,096)
State Revolving Loan Debt	(220,362)	(219,080)	1,282	(221,300)
Sanitary Sewer Construction	(5,000,000)	(4,000,000)	1,000,000	(4,000,000)
Total transfers to other funds	<u>(12,780,326)</u>	<u>(11,779,042)</u>	<u>1,001,284</u>	<u>(11,779,396)</u>
Net change in fund balance	<u>(5,152,412)</u>	<u>734,045</u>	<u>5,886,457</u>	<u>(179,020)</u>
Fund balance - beginning as previously reported	9,134,390	6,039,641	(3,094,749)	6,218,661
Restatement *	<u>-</u>	<u>(3,449,821)</u>	<u>(3,449,821)</u>	<u>-</u>
Fund balance - beginning, as restated	<u>9,134,390</u>	<u>2,589,820</u>	<u>(6,544,570)</u>	<u>6,218,661</u>
Fund balance - ending	<u>\$ 3,981,978</u>	<u>3,323,865</u>	<u>\$ (658,113)</u>	<u>\$ 6,039,641</u>
Adjustment to GAAP basis:				
Mortgage connection receivable		88,005		
Capital assets (net of accumulated depreciation)		203,570,338		
Prepaid expenses		16,650		
Customer credits		(413,600)		
Bonds receivable		1,187,086		
Interest receivable		661,992		
Due to other entities		(428,557)		
Bond issuance cost		297,748		
Bond assessments receivable		8,050,389		
Contracts receivable		1,677,577		
Other long term liabilities		(437,200)		
Other		(64,100)		
Net position - GAAP basis		<u>\$ 217,530,194</u>		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER SYSTEM DEVELOPMENT CHARGE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013		Variance with Final Budget Positive (Negative)	2012 Actual
	Original And Final Budget	Actual		
REVENUES:				
Connection Charges by cities	\$ -	\$ 96,390	\$ 96,390	\$ -
Connection Charges	2,501,400	3,172,202	670,802	3,195,521
Interest on investments	22,613	27,067	4,454	23,267
Total revenues	<u>2,524,013</u>	<u>3,295,659</u>	<u>771,646</u>	<u>3,218,788</u>
EXPENDITURES:				
Capital outlay	2,497,000	2,497,000	-	2,498,815
Contingency	624,250	-	624,250	-
Total expenditures	<u>3,121,250</u>	<u>2,497,000</u>	<u>624,250</u>	<u>2,498,815</u>
Revenues over (under) expenditures	<u>(597,237)</u>	<u>798,659</u>	<u>1,395,896</u>	<u>719,973</u>
Net change in fund balance	<u>(597,237)</u>	<u>798,659</u>	<u>1,395,896</u>	<u>719,973</u>
Fund balance - beginning as previously reported	9,134,390	4,450,911	(4,683,479)	3,730,938
Restatement *	-	(1,204,615)	(1,204,615)	-
Fund balance - beginning, as restated	<u>9,134,390</u>	<u>3,246,296</u>	<u>(5,888,094)</u>	<u>3,730,938</u>
Fund balance - ending	<u>\$ 8,537,153</u>	4,044,955	<u>\$ (4,492,198)</u>	<u>\$ 4,450,911</u>
Adjustment to GAAP basis:				
Interest receivable		5,461		
Net position - GAAP basis		<u>\$ 4,050,416</u>		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATE REVOLVING LOAN DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013		Variance with Final Budget Positive (Negative)	2012 Actual
	Original And Final Budget	Actual		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 1,198,750
Interest on investments	6,570	7,656	1,086	5,544
Total revenues	6,570	7,656	1,086	1,204,294
EXPENDITURES:				
Principal	194,756	194,756	-	186,992
Interest	25,606	24,325	1,281	31,763
Total expenditures	220,362	219,081	1,281	218,755
Revenues over (under) expenditures	(213,792)	(211,425)	2,367	985,539
OTHER FINANCING SOURCES:				
Transfer from other funds:				
Sanitary Sewer Fund	220,362	219,080	(1,282)	221,300
Net change in fund balance	6,570	7,655	1,085	1,206,839
Fund balance - beginning as previously reported	1,314,058	1,321,589	7,531	114,750
Restatement *	-	(9,023)	(9,023)	-
Fund balance - beginning, as restated	1,314,058	1,312,566	(1,492)	114,750
Fund balance - ending	\$ 1,320,628	1,320,221	\$ (407)	\$ 1,321,589
 Adjustment to GAAP basis:				
Bonds payable		(9,503,555)		
Interest payable		(297,853)		
Interest receivable		1,278		
Net position - GAAP basis		\$ (8,479,909)		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
REVENUE BOND FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013		Variance with Final Budget Positive (Negative)	2012 Actual
	Original And Final Budget	Actual		
REVENUES:				
Interest on assessments	\$ 9,000	\$ 47,773	\$ 38,773	\$ 15,379
Interest on investments	<u>45,672</u>	<u>80,395</u>	<u>34,723</u>	<u>53,629</u>
Total revenues	<u>54,672</u>	<u>128,168</u>	<u>73,496</u>	<u>69,008</u>
EXPENDITURES:				
Principal	3,905,000	3,905,000	-	3,395,000
Interest	<u>4,242,142</u>	<u>4,242,142</u>	<u>-</u>	<u>4,339,025</u>
Total expenditures	<u>8,147,142</u>	<u>8,147,142</u>	<u>-</u>	<u>7,734,025</u>
Revenues over (under) expenditures	<u>(8,092,470)</u>	<u>(8,018,974)</u>	<u>73,496</u>	<u>(7,665,017)</u>
OTHER FINANCING SOURCES:				
Transfer from other funds:				
Sanitary Sewer Fund	7,559,964	7,559,962	(2)	7,541,807
Surface Water Fund	<u>379,728</u>	<u>379,728</u>	<u>-</u>	<u>395,340</u>
Total transfers from other funds	<u>7,939,692</u>	<u>7,939,690</u>	<u>(2)</u>	<u>7,937,147</u>
Net change in fund balance	<u>(152,778)</u>	<u>(79,284)</u>	<u>73,494</u>	<u>272,130</u>
Fund balance - beginning as previously reported	9,134,390	9,085,700	(48,690)	8,813,570
Restatement *	<u>-</u>	<u>(436,138)</u>	<u>(436,138)</u>	<u>-</u>
Fund balance - beginning, as restated	<u>9,134,390</u>	<u>8,649,562</u>	<u>(484,828)</u>	<u>8,813,570</u>
Fund balance - ending	<u>\$ 8,981,612</u>	8,570,278	<u>\$ (411,334)</u>	<u>\$ 9,085,700</u>
 Adjustment to GAAP basis:				
Due from NCSA B&I		(1,187,086)		
Capitalized bond issuance cost		845,610		
Long term debt		(99,243,745)		
Happy Valley lien		237,479		
Bonds payable		(4,020,808)		
Interest payable		(348,650)		
Interest receivable		8,259		
Net position - GAAP basis		<u>\$ (95,138,663)</u>		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012 Actual
	Original Budget	Final Budget	Actual		
REVENUES:					
Capital project participation	\$ -	\$ -	\$ -	\$ -	\$ 227,352
Interest on investments	29,007	29,007	80,751	51,744	39,882
Miscellaneous	55,000	55,000	180,530	125,530	-
Total revenues	<u>84,007</u>	<u>84,007</u>	<u>261,281</u>	<u>177,274</u>	<u>267,234</u>
EXPENDITURES:					
Capital outlay	5,674,395	6,074,395	3,712,085	2,362,310	17,202,696
Contingency	1,418,599	1,018,599	-	1,018,599	-
Total expenditures	<u>7,092,994</u>	<u>7,092,994</u>	<u>3,712,085</u>	<u>3,380,909</u>	<u>17,202,696</u>
Revenues over (under) expenditures	<u>(7,008,987)</u>	<u>(7,008,987)</u>	<u>(3,450,804)</u>	<u>3,558,183</u>	<u>(16,935,462)</u>
OTHER FINANCING SOURCES:					
Transfer from other funds:					
Sanitary Sewer Fund	5,000,000	5,000,000	4,000,000	(1,000,000)	4,000,000
Loans issued	1,000,000	1,000,000	482,052	(517,948)	2,860,053
Total other financing sources	<u>6,000,000</u>	<u>6,000,000</u>	<u>4,482,052</u>	<u>(1,517,948)</u>	<u>6,860,053</u>
Net change in fund balance	<u>(1,008,987)</u>	<u>(1,008,987)</u>	<u>1,031,248</u>	<u>2,040,235</u>	<u>(10,075,409)</u>
Fund balance - beginning as previously reported	5,801,429	5,801,429	8,207,328	2,405,899	18,282,737
Restatement *	-	-	3,543,419	3,543,419	-
Fund balance - beginning, as restated	<u>5,801,429</u>	<u>5,801,429</u>	<u>11,750,747</u>	<u>5,949,318</u>	<u>18,282,737</u>
Fund balance - ending	<u>\$ 4,792,442</u>	<u>\$ 4,792,442</u>	12,781,995	<u>\$ 7,989,553</u>	<u>\$ 8,207,328</u>
Adjustment to GAAP basis:					
Interest receivable			7,255		
Net position - GAAP basis			<u>\$ 12,789,250</u>		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SURFACE WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013		Variance with Final Budget Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
REVENUES:				
Monthly service charges	\$ 3,934,701	\$ 3,920,412	\$ 14,289	\$ 3,762,506
Grants	150,000	195,367	45,367	12,389
Interest on investments	13,359	15,919	2,560	12,296
Miscellaneous	125,000	197,052	72,052	216,096
Total revenues	<u>4,223,060</u>	<u>4,328,750</u>	<u>105,690</u>	<u>4,003,287</u>
EXPENDITURES:				
Materials and services	4,496,308	3,762,305	734,003	3,699,809
Contingency	449,631	-	449,631	-
Total expenditures	4,945,939	3,762,305	1,183,634	3,699,809
Revenues over (under) expenditures	<u>(722,879)</u>	<u>566,445</u>	<u>1,289,324</u>	<u>303,478</u>
OTHER FINANCING USES:				
Transfers to other funds:				
Revenue Bond Fund	<u>(379,728)</u>	<u>(379,728)</u>	<u>-</u>	<u>(379,052)</u>
Net change in fund balance	<u>(1,102,607)</u>	<u>186,717</u>	<u>1,289,324</u>	<u>(75,574)</u>
Fund balance - beginning as previously reported	2,671,865	2,880,057	208,192	2,955,631
Restatement *	<u>-</u>	<u>(114,946)</u>	<u>(114,946)</u>	<u>-</u>
Fund balance - beginning, as restated	<u>2,671,865</u>	<u>2,765,111</u>	<u>93,246</u>	<u>2,955,631</u>
Fund balance - ending	<u>\$ 1,569,258</u>	2,951,828	<u>\$ 1,382,570</u>	<u>\$ 2,880,057</u>
Adjustments to GAAP basis:				
Due from NCSA general fund		124,015		
Capital assets - net		18,300,042		
Interest receivable		<u>2,773</u>		
Net Position - GAAP basis		<u>\$ 21,378,658</u>		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SURFACE WATER SYSTEM DEVELOPMENT CHARGE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013			
	Original And Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
REVENUES:				
Connection Charges	\$ 77,695	\$ 95,013	\$ 17,318	\$ 100,245
Interest on investments	7,571	6,840	(731)	6,959
Total revenues	85,266	101,853	16,587	107,204
EXPENDITURES:				
Capital outlay	700,000	-	700,000	400,000
Contingency	175,000	-	175,000	-
Total expenditures	875,000	-	875,000	400,000
Revenues over (under) expenditures	(789,734)	101,853	891,587	(292,796)
Net change in fund balance	(789,734)	101,853	891,587	(292,796)
Fund balance - beginning as previously reported	1,514,281	1,130,369	(383,912)	1,423,165
Restatement *	-	(1,920)	(1,920)	-
Fund balance - beginning, as restated	1,514,281	1,128,449	(385,832)	1,423,165
Fund balance - ending	\$ 724,547	1,230,302	\$ 505,755	\$ 1,130,369
 Adjustment to GAAP basis:				
Interest receivable		1,187		
Net position - GAAP basis		\$ 1,231,489		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SURFACE WATER CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	2013		Variance with Final Budget Positive (Negative)	2012 Actual
	Original And Final Budget	Actual		
REVENUES:				
Interest on investments	\$ 24,819	\$ 30,350	\$ 5,531	\$ 23,043
EXPENDITURES:				
Materials and services			-	
Capital outlay	2,651,000	408,574	2,242,426	481,840
Contingency	662,750	-	662,750	-
Total expenditures	<u>3,313,750</u>	<u>408,574</u>	<u>2,905,176</u>	<u>481,840</u>
Revenues over (under) expenditures	<u>(3,288,931)</u>	<u>(378,224)</u>	<u>2,910,707</u>	<u>(458,797)</u>
Net change in fund balance	<u>(3,288,931)</u>	<u>(378,224)</u>	<u>2,910,707</u>	<u>(458,797)</u>
Fund balance - beginning as previously reported	4,963,533	5,285,269	321,736	5,744,066
Restatement *	-	103,936	103,936	-
Fund balance - beginning, as restated	<u>4,963,533</u>	<u>5,389,205</u>	<u>425,672</u>	<u>5,744,066</u>
Fund balance - ending	<u>\$ 1,674,602</u>	5,010,981	<u>\$ 3,336,379</u>	<u>\$ 5,285,269</u>
 Adjustment to GAAP basis:				
Interest receivable		4,893		
Net position - GAAP basis		<u>\$ 5,015,874</u>		

* Beginning Fund Balance was restated to reflect refinement of budgetary basis.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
 (A Component Unit of Clackamas County, Oregon)
 SUMMARY OF NET POSITION
 BY FUND
 for the year ended June 30, 2013

Fund	Description	Net Position GAAP Basis
111	Sanitary Sewer General Fund	\$ 217,530,194
112	Sanitary Sewer System Development Charge Fund	4,050,416
115	State Revolving Loan Debt Service Fund	(8,479,909)
116	Revenue Bond Fund	(95,138,663)
119	Sanitary Sewer Construction Fund	12,789,250
151	Surface Water General Fund	21,378,658
152	Surface Water System Development Charge Fund	1,231,489
159	Surface Water Construction Fund	5,015,874
	Total Net Position	\$ 158,377,309

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Statistical Statements



STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	48
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue source, user fees.	50
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. The District does not have any indebtedness subject to the legal debt limitation in accordance with Oregon Revised Statutes 451.545; consequently, the schedule of the computation of legal debt margin is not included in the statistical section.	52
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	55
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	57

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

NET POSITION BY COMPONENT
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Invested in Capital Assets Net of Related Debt	Restricted	Unrestricted	Total Net Assets
2004	\$ 74,103,811	\$ 8,212,449	\$ 16,914,171	\$ 99,230,431
2005	79,882,240	8,600,190	20,538,435	109,020,865
2006	83,620,010	11,416,469	21,915,563	116,952,042
2007	97,963,154	11,149,193	20,711,601	129,823,948
2008	113,214,147	4,165,316	23,127,866	140,507,329
2009	122,049,623	2,612,142	19,156,422	143,818,187
2010	125,830,016	3,061,976	21,390,411	150,282,403
2011	128,392,990	4,596,572	22,170,583	155,160,145
2012	120,906,914	6,490,380	26,305,336	153,702,630
2013	116,536,277	6,967,755	34,873,277	158,377,309

Source: District's Comprehensive Annual Financial Report

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

CHANGES IN NET POSITION
Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating revenues:										
Sewerage and surface water charges	\$ 11,446,568	\$ 11,467,848	\$ 11,924,297	\$ 12,845,817	\$ 14,350,227	\$ 15,888,357	\$ 18,412,534	\$ 19,726,719	\$ 20,016,519	\$ 20,393,369
Municipal and other	1,126,597	1,316,384	1,293,175	906,177	1,205,243	1,355,687	2,255,734	2,461,608	2,794,416	4,008,490
Other operating revenues	1,227,306	1,360,865	1,430,261	1,283,472	1,134,552	970,295	797,053	868,823	730,458	1,084,477
Total operating revenues	13,800,401	14,145,097	14,647,733	15,035,466	16,690,022	18,214,339	21,465,321	23,057,150	23,541,393	25,486,336
Operating expenses:										
Contracted salaries and benefits	6,663,540	7,030,058	7,850,246	6,779,176	6,938,844	7,062,707	7,074,325	7,240,023	7,274,639	7,773,485
Professional services	659,395	452,281	714,569	959,139	1,053,673	1,413,120	1,827,070	1,810,502	1,597,649	1,813,248
Laboratory services	-	-	-	-	-	-	-	297,715	304,149	318,366
Other County Services	1,323,352	629,967	641,754	1,045,654	771,100	906,372	866,930	406,502	674,237	872,686
Supplies	-	-	-	301,053	419,997	348,841	373,022	404,118	364,836	483,980
Vehicle Expense	-	-	-	419,997	451,871	191,723	195,426	197,381	274,951	158,059
Repairs and maintenance	-	1,591,556	135,005	228,729	197,771	683,632	761,963	865,569	894,216	886,071
Utilities	555,852	502,721	536,692	637,188	690,110	162,319	161,780	150,792	165,072	171,043
Insurance	-	-	-	165,836	158,534	379,973	441,534	459,340	504,752	668,755
Other Expense	691,773	427,024	451,411	282,655	299,758	5,187,758	5,892,895	5,784,798	14,655,084	15,257,264
Depreciation	3,748,737	3,786,380	3,709,411	3,872,591	4,543,307	17,555,861	19,040,080	19,086,837	28,088,157	29,730,269
Total operating expenses	13,642,649	14,419,987	14,039,088	14,691,988	16,094,074	17,555,861	19,040,080	19,086,837	28,088,157	29,730,269
Operating income	157,752	(274,890)	608,645	343,478	595,948	678,478	2,425,241	3,970,313	(4,546,764)	(4,243,933)
Nonoperating revenue (expense):										
Interest income	549,024	825,700	983,464	1,683,990	1,684,674	848,728	651,411	360,776	472,179	476,623
Interest expense	(707,246)	(571,610)	(519,223)	(463,053)	(401,913)	(355,661)	(314,396)	(272,185)	(3,452,205)	(4,442,436)
Other nonoperating revenue (expenses)	258,366	(98,148)	(583,679)	(206,957)	17,092	(3,157,520)	(299,424)	(4,217,627)	(67,216)	(33,139)
Total nonoperating revenue (expense)	100,144	155,942	(119,438)	1,013,980	1,299,853	(2,684,455)	37,591	(4,129,036)	(3,047,242)	(3,988,952)
Income (loss) before contributions	257,896	(118,948)	489,207	1,357,458	1,895,801	(1,985,975)	2,462,832	(158,723)	(7,594,006)	(8,242,885)
Contributions	9,402,753	9,909,382	7,441,970	11,514,446	8,787,580	5,296,833	4,001,384	5,036,465	6,136,491	12,917,564
Change in Net Position	\$ 9,660,649	\$ 9,790,434	\$ 7,931,177	\$ 12,871,904	\$ 10,683,381	\$ 3,310,858	\$ 6,464,216	\$ 4,877,742	\$ (1,457,515)	\$ 4,674,679

In 2013, the 2011 and 2012 statistics have been revised to reflect a new category.

Source: District's Comprehensive Annual Financial Report

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

USER FEE REVENUE BY TYPE OF CUSTOMER
Last Ten Fiscal Years

Type of Customer	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sanitary Sewer										
Cities	\$ 1,126,537	\$ 1,316,384	\$ 1,293,175	\$ 1,131,985	\$ 1,205,243	\$ 1,355,687	\$ 2,255,734	\$ 2,461,608	\$ 2,794,416	\$ 4,008,490
Residential	3,697,786	3,711,885	4,001,940	4,477,024	5,137,417	5,910,986	7,008,541	7,708,083	7,885,373	8,321,820
Commercial	1,297,719	1,288,617	1,309,828	1,390,506	1,625,333	1,846,936	2,200,618	2,384,496	2,362,488	2,353,467
Industrial	435,111	406,539	497,921	558,458	614,800	650,177	756,707	749,693	733,628	480,636
Other	2,828,342	2,860,485	2,806,628	2,805,320	3,503,854	3,940,581	4,792,895	5,211,790	5,272,524	5,317,035
Surface Water										
Residential	970,515	975,586	1,035,692	1,084,584	1,122,024	1,141,125	1,153,556	1,153,380	1,184,644	1,242,630
Commercial	2,078,701	2,073,565	2,096,338	2,105,872	2,126,766	2,167,256	2,266,915	2,281,926	2,326,343	2,416,996
Other	138,383	151,171	175,950	198,245	220,033	231,296	233,302	237,351	251,519	260,785
Total	\$ 12,573,094	\$ 12,784,232	\$ 13,217,472	\$ 13,751,994	\$ 15,555,470	\$ 17,244,044	\$ 20,668,268	\$ 22,188,327	\$ 22,810,935	\$ 24,401,859

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

PRINCIPAL RATEPAYERS WITHIN DISTRICT
Last Ten Fiscal Years

Customer	2012-13	2011-12	2010-11	2009-10	2007-08	2006-07	2005-06	2004-05	2003-04
	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue
City of Milwaukie	\$ 3,968,386	1	\$ 2,767,440	1	\$ 2,950,336	1	\$ 1,200,000	1	\$ 1,258,998
Safeway Stores	431,791	2	533,942	2	372,730	3	285,781	2	280,168
Kaiser Hospital	385,825	3	376,600	3	446,307	2	261,296	3	218,450
Maxim Real Estate	190,212	4	184,152	4	169,334	5	126,147	9	
MPB Associates LLC	185,950	5	180,024	5	180,024	5			
Crown Court Apartments	168,424	6	163,056	6	150,280	6	114,384	10	98,160
The Woods Apartments	162,549	7	157,368	7	145,159	7	110,856	11	95,064
Camp Withycombe	158,979	8	124,717	13	64,236	20	82,322	16	65,420
Clackamas Town Center	157,852	9	152,808	9	143,358	8	116,808	7	105,468
The Overlook at Causey Lane	140,660	10	136,176	10	125,705	10	96,288	11	82,992
Clackamas Trails Apartments	135,453	11	131,136	11	120,892	11	92,112	13	79,104
Easton Ridge Apartments	132,850	12	128,616	12	118,599	18	90,456	15	79,104
Precision Casiparts	130,952	13	154,946	8	132,589	9	123,801	7	77,736
Oak Acres Mobile Home Park	120,662	14	116,808	14	108,563	13	93,472	13	120,478
Hawksridge Apartments	119,642	15	115,956	15	107,020	14	88,776	18	100,296
Squire's Court Apartments	117,108	16	113,376	16	104,455	15	79,392	17	68,064
Unified Western Grocers	107,860	17	106,112	17	98,132	16	93,666	12	90,864
Fred Meyer Distribution	107,136	18	103,680	18	103,680	16	191,678	4	206,208
RiverBend Mobile Home Park	103,607	19	100,292	19	101,038	17	83,520	15	82,128
Stone Ridge Apts	102,334	20	99,072	20	91,474	19	70,128	18	60,480
InterState Meat Co			87,596	21					63,945
City of Gladstone					165,925	4	126,312	6	127,501
Clackamas Village Apts									108,408
Monterey Springs Office									108,408
Wellington Springs							99,814	9	81,666
Total	\$ 7,128,232		\$ 6,033,873		\$ 5,561,182		\$ 4,163,920		\$ 3,478,480
					\$ 3,763,611		\$ 3,170,012		\$ 3,068,886
					\$ 4,163,920		\$ 3,283,232		\$ 3,478,480

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds and Obligations	Bancroft Improvement Bonds	Loan Payable	Total	Percentage of Personal Income	Per Capita
2004	\$ 12,415,000	\$ 335,424	\$ 1,911,904	\$ 14,662,328	0.48 %	181
2005	11,595,000	320,424	1,771,253	13,686,677	0.42	166
2006	10,730,000	320,424	1,624,762	12,675,186	0.36	150
2007	9,790,000	320,424	1,472,188	11,582,612	0.31	134
2008	8,815,000	-	1,313,279	10,128,279	0.26	115
2009	46,265,000	-	1,147,772	47,412,772	1.21	528
2010	89,185,000	-	1,553,659	90,738,659	2.24	1,009
2011	109,825,000	-	6,614,269	116,439,269	2.78	1,275
2012	107,154,050	-	9,287,330	116,441,380	N/A	1,269
2013	103,264,553	-	9,503,555	112,768,108	N/A	1,201

NA: Not available

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

OVERLAPPING GENERAL OBLIGATION BONDED DEBT
June 30, 2013

Governmental Unit	Debt Outstanding	Percent Overlapping	Overlapping General Obligation Bonded Debt
Debt repaid with property taxes:			
City of Happy Valley	\$ 4,170,000	100.00 %	\$ 4,170,000
Clackamas Community College	27,365,000	100.00	27,365,000
Clackamas County	108,260,000	100.00	108,260,000
Clackamas County Rural Fire Protection District #1	1,790,000	99.76	1,785,704
Clackamas County School District #115 (Gladstone)	50,968,229	100.00	50,968,229
Clackamas County School District #12 (North Clackamas)	341,589,382	100.00	341,589,382
Clackamas County School District #46 (Oregon Trail)	111,350,487	100.00	111,350,487
Metro	248,275,000	18.15	45,061,913
Mt Hood Community College	26,100,000	16.26	4,243,860
Multnomah County School District #28J (Centennial)	31,001,858	6.78	2,101,926
Oak Lodge Water District	215,000	100.00	215,000
Other Debt:			
City of Gladstone	1,935,000	100.00	1,935,000
Clackamas Community College	47,495,000	100.00	47,495,000
Clackamas County	5,705,000	100.00	5,705,000
Clackamas County Education Service District	24,895,000	99.45	24,758,078
Clackamas County Rural Fire Protection District #1	19,275,000	99.76	19,228,740
Metro	34,570,000	18.15	6,274,455
Mt. Hood Community College	44,801,649	16.26	7,284,748
Multnomah County Education Service District	33,780,000	1.56	526,968
North Clackamas Parks & Recreation District	11,275,000	100.00	11,275,000
Port of Portland	68,077,306	22.46	15,290,163
	<u>\$ 1,242,893,911</u>		<u>\$ 836,884,653</u>

Note:

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

Source: Municipal Debt Advisory Commission, State of Oregon

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Gross Revenues										
Monthly Service Charges	\$ 11,354,695	\$ 11,652,740	\$ 11,939,727	\$ 12,881,815	\$ 14,207,527	\$ 15,664,174	\$ 18,412,535	\$ 19,726,719	\$ 20,016,519	\$ 20,393,370
Operating Payment from Cities	1,277,517	1,684,572	1,303,722	912,569	1,103,540	1,404,874	2,213,101	2,461,608	2,794,416	4,008,490
Interest Earnings	331,747	502,841	985,623	1,551,085	1,541,499	883,179	659,178	328,916	420,859	359,912
Capital Outlay Payment from Cities	563,762	73,985	198,842	219,443	605,657	-	-	-	-	-
Miscellaneous Income	1,413,065	1,824,561	1,642,443	1,327,600	1,557,243	708,868	799,758	925,654	1,093,167	1,067,094
Capital Charge Revenues	1,756,222	1,710,963	670,916	676,820	312,942	256,086	73,386	63,253	52,130	113,893
System Development Charges	1,475,212	2,921,144	3,753,103	1,986,245	1,594,507	1,221,308	1,454,421	4,254,558	3,295,766	3,363,605
Other Connection Charges	284,386	382,839	479,921	474,380	328,471	173,019	163,792	222,735	131,200	187,241
Total Gross Revenues	\$ 18,456,606	\$ 20,753,645	\$ 20,984,297	\$ 20,029,957	\$ 21,251,386	\$ 20,311,508	\$ 23,776,171	\$ 27,983,443	\$ 27,804,057	\$ 29,493,605
Operating Expenses										
Operation, Maintenance & Replacements	9,797,606	9,204,407	10,446,877	10,973,250	11,624,034	12,829,468	13,317,079	13,704,474	13,872,327	14,735,251
Total Operating Expenses	9,797,606	9,204,407	10,446,877	10,973,250	11,624,034	12,829,468	13,317,079	13,704,474	13,872,327	14,735,251
Net Operating Revenues	\$ 8,659,000	\$ 11,549,238	\$ 10,537,420	\$ 9,056,707	\$ 9,627,352	\$ 7,482,040	\$ 10,459,092	\$ 14,278,969	\$ 13,931,730	\$ 14,758,354
Revenue Bond Debt Service										
Series 1994	\$ 681,481	\$ 681,325	\$ 683,050	\$ 681,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2002A	206,482	215,363	212,063	243,238	233,788	229,063	223,988	218,650	213,138	207,450
Series 2002B	397,789	395,188	397,538	394,500	1,078,200	1,083,363	1,079,713	1,081,256	1,080,229	1,082,155
Series 2009A	-	-	-	-	-	-	2,285,215	2,406,243	2,412,793	2,418,988
Series 2009B	-	-	-	-	-	-	935,831	2,880,175	2,881,800	2,877,450
Series 2010	-	-	-	-	-	-	-	-	1,562,326	1,561,119
Total Revenue Bond Debt Service	\$ 1,285,752	\$ 1,291,876	\$ 1,292,651	\$ 1,319,188	\$ 1,311,988	\$ 1,312,426	\$ 4,524,747	\$ 6,586,324	\$ 8,150,286	\$ 8,147,142
Revenue Bonds Debt Service Coverage	6.7	8.9	8.2	6.9	7.3	5.7	2.3	2.2	1.7	1.8
Revenue Bonds Coverage without SDC's	5.6	6.7	5.2	5.4	6.1	4.8	2.0	1.5	1.3	1.4
Revenues Available for State Revolving Fund Loans	\$ 7,373,248	\$ 10,257,362	\$ 9,244,769	\$ 7,737,519	\$ 8,315,364	\$ 6,169,614	\$ 5,934,345	\$ 7,692,645	\$ 5,781,444	\$ 6,611,212
State Revolving Fund Loan Debt Service	227,701	227,011	226,293	225,546	224,767	223,956	220,750	219,773	221,316	219,080
Revenue Available for Bancroft Bonds	\$ 7,145,547	\$ 10,030,351	\$ 9,018,476	\$ 7,511,973	\$ 8,090,597	\$ 5,945,658	\$ 5,713,595	\$ 7,472,872	\$ 5,560,128	\$ 6,392,132
Bancroft Bond Debt Service										
Bancroft Improvement Bonds (1990)	-	-	-	-	-	-	-	-	-	-
Bancroft Improvement Bonds (1988)	24,352	24,352	24,352	24,352	332,601	-	-	-	-	-
Bancroft Improvement Bonds (1986)	17,261	15,754	-	-	-	-	-	-	-	-
Total Bancroft Bond Debt Service	\$ 41,613	\$ 40,106	\$ 24,352	\$ 24,352	\$ 332,601	\$ -				
Revenues Available for Other Purposes	\$ 7,103,934	\$ 9,990,245	\$ 8,994,124	\$ 7,487,621	\$ 7,757,996	\$ 5,945,658	\$ 5,713,595	\$ 7,472,872	\$ 5,560,128	\$ 6,392,132

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Ended June 30,	Population Estimate ³	Personal Income ^{1, 2}	Per Capita Personal Income ^{1, 2}	Unemployment Rate (PMSA)
2004	81,055	3,050,180,705	37,631	7.4 %
2005	82,576	3,230,042,816	39,116	6.8
2006	84,639	3,502,192,542	41,378	5.4
2007	86,373	3,797,388,945	43,965	4.6
2008	88,004	3,942,843,212	44,803	4.8
2009	89,750	3,917,228,500	43,646	11.3
2010	89,957	4,043,926,978	44,954	9.9
2011	91,309	4,192,452,735	45,915	9.1
2012	91,754	N/A	N/A	7.8
2013	93,919	N/A	N/A	7.2

N/A: Not available

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

¹ 2011 Personal Income and Per Capita Personal Income statistics revised June, 2013.

² Figures are for calendar year; Personal Income and Per Capita Personal Income for 2012 and 2013 are not available (N/A).

³ Population estimate based on 2.56 people per dwelling unit in Clackamas County Service District No. 1.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2013			2004		
	Employees	Rank	Percentage of Total (2)	Employees	Rank	Percentage of Total (2)
Intel Corp.	16,250	1	.02 %	14,510	1	.02 %
Providence Health System	14,389	2	.01	13,475	2	.01
U.S. Federal Govt.	13,900	3	.01			
Oregon Health & Sciences University	13,733	4	.01	11,500	3	.01
Fred Meyer Stores	10,389	5	.01	9,492	4	.01
Legacy Health System	9,662	6	.01	7,816	6	.01
Kaiser Foundation Health Plan of the Northwest	9,195	7	.01	8,051	5	.01
City of Portland	8,951	8	.01			
State of Oregon	7,559	9	.01			
Nike Inc.	7,000	10	.01	4,500	9	.00
Tektronix				4,301	10	.00
Safeway, Inc., Portland Division				6,000	7	.01
Multnomah Co.				4,801	8	.01
Total	111,028		0.11 %	84,446		0.09 %

Sources:

(1) Statistics are the latest available data published in the Portland Business Journal *Book of Lists 2013* and *Book of Lists 2004*. The Business Journal *Book of Lists* ranks Portland Metropolitan Area employers.

(2) Total Portland Metropolitan Area employment used to calculate percentages is from the Oregon Employment Department.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
 (A Component Unit of Clackamas County, Oregon)

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business & Financial Services	18	16	17	17	16	18	16	20	20	26
Asset and Capacity Management	18	23	24	24	29	30	29	28	25	20
Water Quality Services	28	31	32	29	29	28	28	25	27	25
Environmental Monitoring Services	9	11	11	15	15	15	15	13	15	9
Total	73	81	84	85	89	91	88	86	87	80

Water Environment Services is responsible for the general management and operation of Clackamas County Service District No. 1, Tri-City Service District, and the Surface Water Management Agency of Clackamas County. Employees when possible, directly charge their time to appropriate service districts. Otherwise, their time is allocated. Hence, employee counts listed above are expressed in full time equivalents devoted to Clackamas County Service District No. 1 operations.

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Sanitary Sewer										
Monthly service charge	\$ 22.00	\$ 22.00	\$ 22.00	\$ 23.00	\$ 26.00	\$ 29.50	\$ 34.85	\$ 38.00	\$ 38.00	\$ 39.25
Total amount collected	\$ 9,385,496	\$ 9,583,910	\$ 9,909,492	\$ 10,629,278	\$ 12,086,648	\$ 13,704,367	\$ 17,014,496	\$ 18,515,670	\$ 19,048,428	\$ 20,481,448
Percentage increase	1.7%	2.1%	3.4%	7.3%	13.7%	13.4%	24.2%	8.8%	2.9%	7.5%
Connection fees/EDU	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 5,200	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600
Total amount collected	\$ 1,557,526	\$ 2,733,197	\$ 3,965,201	\$ 2,234,723	\$ 1,460,603	\$ 1,124,632	\$ 1,321,731	\$ 4,203,164	\$ 3,195,521	\$ 3,172,202
Percentage increase/(decrease)	4.8%	75.5%	45.1%	-43.6%	-33.7%	-24.0%	17.5%	218.0%	-24.0%	-0.7%
Kellogg Hydraulic treatment capacity (in million gallons/day)	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129
Current flows (in million gallons/day)	8.478	8.314	8.724	8.670	8.730	7.876	7.895	8.860	8.610	7.930
Surface Water Management										
Monthly service charge	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.20
Total amount collected	\$ 3,187,599	\$ 3,200,323	\$ 3,307,980	\$ 3,388,701	\$ 3,468,822	\$ 3,539,677	\$ 3,653,773	\$ 3,672,657	\$ 3,762,506	\$ 3,920,411
Percentage increase	3.0%	0.4%	3.4%	2.4%	2.4%	2.0%	3.2%	0.5%	2.4%	4.2%
Connection fees/EDU	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205
Total amount collected	\$ 119,515	\$ 242,588	\$ 252,792	\$ 193,877	\$ 137,965	\$ 108,240	\$ 132,690	\$ 53,300	\$ 100,245	\$ 95,013
Percentage increase/(decrease)	-13.7%	103.0%	4.2%	-23.3%	-28.8%	-21.5%	22.6%	-59.8%	88.1%	-5.2%

Source: District's records

Residential EDU's equal one dwelling unit; commercial EDU's equal 1,900 sq. ft. of interior floor space or per quarter acre of land.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
 (A Component Unit of Clackamas County, Oregon)

CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type Activities:										
Sanitary Sewer	3	3	3	3	3	3	3	3	3	3
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Sand Filters	11	12	12	12	12	16	16	16	16	17
Pump Stations	262	276	282	301	308	317	317	317	327	347
Miles of Pipe										
Surface Water	NA	NA	8,000	8,049	14,901	15,222	15,628	15,628	15,628	17,669
Catch Basins / Manholes	5	5	5	5	5	5	5	5	5	5
Continuous Monitoring Stations										

NA - Not available

Source: District's records

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Compliance Reports



TM

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
 STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners of
 Clackamas County, Oregon, as Governing Body of
 Clackamas County Service District No. 1
 Oregon City, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clackamas County Service District No. 1 (the District), a component unit of Clackamas County, Oregon as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MOSS ADAMS_{LLP}

Purpose of this Report

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

Moss Adams, LLP

Eugene, Oregon
December 4, 2013

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON MINIMUM AUDITING STANDARDS**

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

We have audited the basic financial statements of Clackamas County Service District No. 1 (the District), a component unit of Clackamas County, Oregon, as of and for the years ended June 30, 2013, and have issued our report thereon dated December 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

OAR	Section	Instances of Non-Compliance Identified?
162-010-0000	Preface	None Noted
162-010-0010	Definitions	None Noted
162-010-0020	Introduction	None Noted
162-010-0030	General Requirements	None Noted
162-010-0050	Financial Statements	None Noted
162-010-0115	Required Supplementary Information (RSI)	None Noted
162-010-0120	Other Supplementary Information	None Noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances, / Net Position, Budget and Actual (Each Fund)	None Noted
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	Not applicable
162-010-0160	Schedule of Bonded or Long-Term Debt Transactions	None Noted
162-010-0170	Schedule of Future Requirements for Retirement of Bonded or Long-Term Debt	None Noted
162-010-0190	Other Financial or Statistical Information	None Noted
162-010-0200	Required Disclosures and Independent Auditors Comments	None Noted
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	None Noted
162-010-0260	Budget	None Noted
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	None Noted
162-010-0295	Highway Funds	Not applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not applicable
162-010-0316	Public Charter Schools	Not applicable
162-010-0320	Other Comments and Disclosures	None Noted
162-010-0330	Extensions of Time to Deliver Audit Reports	Not applicable

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON AUDITING STANDARDS – (continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control over Financial Reporting

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

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Purposes of this Report

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



James C. Lanzarotta, Partner
for Moss Adams LLP
Eugene, Oregon
December 4, 2013

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