

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the fiscal years ended June 30, 2015 and 2014*

# Clackamas County Service District No. 1

*(A Component Unit of Clackamas County, Oregon)*



**RiverHealth**  
*Serving Clackamas County Service District No. 1*



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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the fiscal years ended June 30, 2015 and 2014

Prepared by:  
WATER ENVIRONMENT SERVICES  
Finance and Administration

Douglas Waugh  
Finance and Administration Manager

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

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

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# **Introductory Section**





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, 2015

<u>Name</u>	<u>Term Expires</u>
John Ludlow, Chair Public Services Building	December 31, 2016
Jim Bernard, Commissioner Public Services Building	December 31, 2018
Paul Savas, Commissioner Public Services Building	December 31, 2018
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

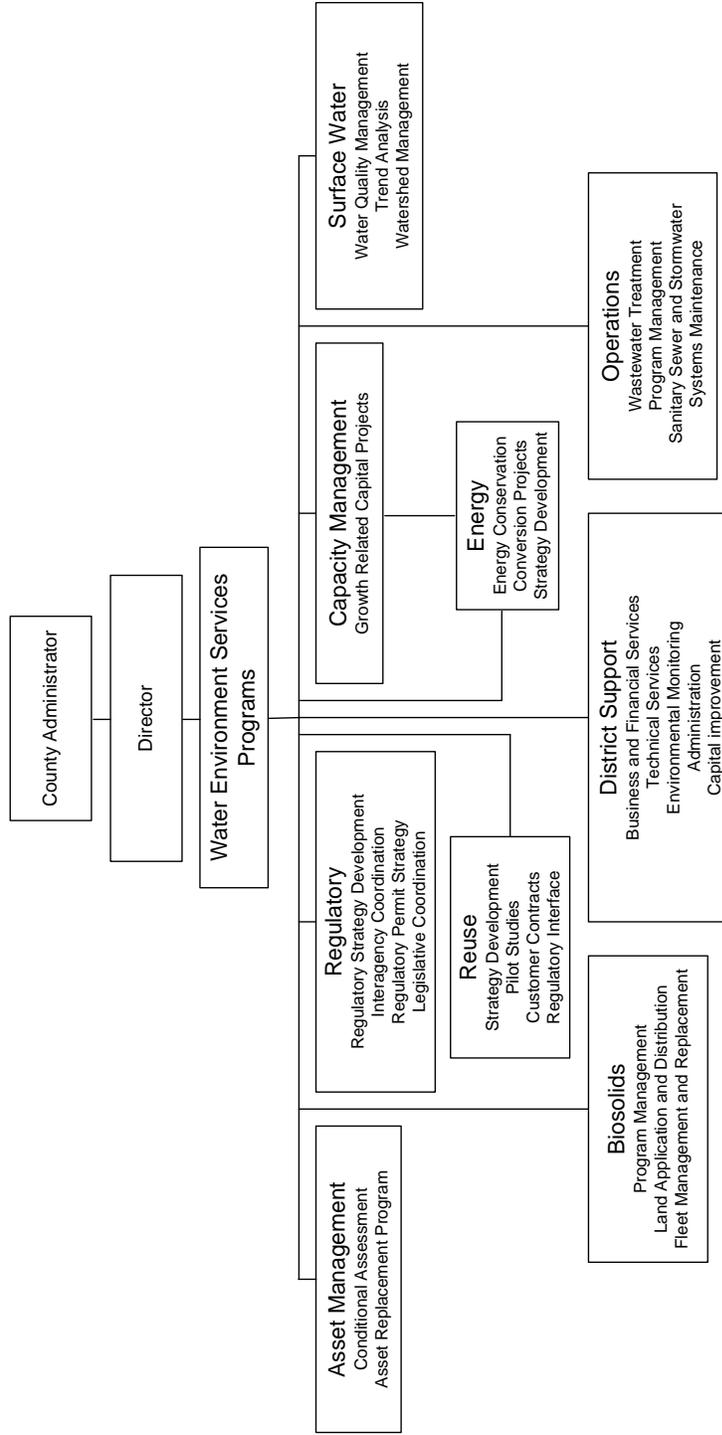
DISTRICT ADMINISTRATOR

Donald Krupp  
2051 Kaen Road  
Oregon City, Oregon 97045

REGISTERED AGENT

Greg Geist  
150 Beaver Creek Road  
Oregon City, Oregon 97045

Water Environment Services  
 A Department of Clackamas County  
 2014/2015





November 19, 2015

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, 2015, is submitted herewith. This report was prepared by the Finance and Administration section of Water Environment Services (the Department), which administers CCSD No. 1, in accordance with the financial reporting provisions of Oregon Revised Statutes (ORS) Sections 297.405 through 297.555. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with 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, 2015, 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.

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.

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

### 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 2014-15, 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.

### Relevant Financial Policies

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

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

### Prospects for the Future

It is anticipated that customer growth will be moderate during the next several years. In the short term, the District is seeing higher growth than the projected growth rate from the population forecast created for the District in 2012. The District will be seeking revised population forecasts in fiscal year 2015-16. These forecasts will be used in future capital and financial planning efforts. The District continues to pursue work on additional sanitary sewerage investments. These projects will serve growth over the next 15 to 20 years.

In July of 2012 the District and Tri-City Service District (TCSD) purchased the former Blue Heron property in West Linn, Oregon. The District and TCSD's primary interest was in the existing industrial outfall and associated discharge permit. This permit will address anticipated changes in the regulatory environment on the Willamette River. The permit and outfall structure was purchased in conjunction with the property. At present the site is not being used. The Remedial Investigation Report and Human Health and Ecological Risk Assessments commissioned by WES on behalf of TCSD and the District were accepted by DEQ on June 18, 2014. In July 2015, TCSD and the District continued an alternatives evaluation. TCSD and the District will be reviewing the alternatives to determine if the site will remain unused or remediation efforts will commence. The District has determined that no obligating events have occurred as of June 30, 2015 therefore no liability has been recorded. Please refer to Note 11 on page 35 in the Notes to Basic Financial Statements for additional information.

### Independent Audit

The provisions of ORS 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.

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

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, 2014. 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, 2015, 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.

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 Finance and Administration section, which 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 blue ink that reads "Greg Geist". The signature is written in a cursive style with a large initial "G".

Greg Geist  
Director



Government Finance Officers Association

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

Presented to

**Clackamas County  
Service District No. 1  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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# Financial Section



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## 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, 2015 and 2014, 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.

## REPORT OF INDEPENDENT AUDITORS (continued)

### ***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, 2015 and 2014, 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 and summary of net position by fund on pages 36 to 46 (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 an 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.

## REPORT OF INDEPENDENT AUDITORS (continued)

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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 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 November 19, 2015, 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  
November 19, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fiscal Year Ended June 30, 2015**

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, 2015. 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 \$151,265. Of this amount, \$33,308 (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 and deferred outflows of resources decreased to \$257,345 from \$264,788 in 2014 and were at \$275,062 in 2013. The change from 2014 included an increase in current pooled cash and investments of \$1,770, an increase in accounts receivable of \$331, an increase in restricted pooled cash and investments of \$3,660, an increase in land, easements and construction in progress of \$1,417, a decrease in net plant and equipment of \$13,379, and a decrease in the noncurrent portion of unbonded assessments receivable of \$926.
- Total liabilities decreased \$5,509 in 2015, which in turn had a decrease of \$5,096 in 2014. The decreases were primarily a result of a decrease in long term debt, net of current portion, payable from restricted assets.
- Total net position decreased \$1,934 primarily due to a \$7,203 decrease in net investment in capital assets. Total operating revenues increased by \$1,969 over 2014 and operating expenses decreased by \$959. The cost of contracted salaries and benefits decreased by \$668 and supplies decreased by \$457. The decreases in salaries and benefits and supplies resulted in a decrease in the operating loss of \$2,928. This compares with a \$813 increase in operating revenues and a \$3,173 increase in operating expenses in 2014 over 2013.
- In 2015 nonoperating revenue (expense) decreased \$752 primarily due to a decrease in interest expense.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Fiscal Year Ended June 30, 2015**

**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, deferred outflows/inflows of resources, 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 total net position. These statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Statements of Cash Flows are an analysis of the change in the District's cash balance during the fiscal year. They are divided into three components; cash flows from operating activities, cash flows from capital and related financing 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 35 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Fiscal Year Ended June 30, 2015**

**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 \$2,047. Pooled cash and investments, current increased by \$1,770. Accounts receivable increased by \$331.

The following table offers a comparison of assets, liabilities, and net position at June 30, 2015, 2014, and 2013:

	<b>Net Position</b>		
	(Thousands of Dollars)		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>			
Current assets	\$ 29,602	\$ 27,555	\$ 27,352
Other assets, net	6,736	7,894	10,757
Pooled cash & investments-restricted	23,617	19,957	15,012
Capital assets, net	<u>197,390</u>	<u>209,352</u>	<u>221,870</u>
Deferred outflows of resources	<u>-</u>	<u>30</u>	<u>71</u>
<b>Total assets and deferred outflows of resources</b>	<u>257,345</u>	<u>264,788</u>	<u>275,062</u>
<b>Liabilities:</b>			
Current liabilities	6,682	8,481	7,921
Noncurrent liabilities	<u>99,398</u>	<u>103,108</u>	<u>108,764</u>
<b>Total liabilities</b>	<u>106,080</u>	<u>111,589</u>	<u>116,685</u>
Net investment in capital assets	102,118	109,321	116,536
Restricted	15,839	12,162	6,968
Unrestricted	<u>33,308</u>	<u>31,716</u>	<u>34,873</u>
<b>Total net position, end of period</b>	<u>\$ 151,265</u>	<u>\$ 153,199</u>	<u>\$ 158,377</u>

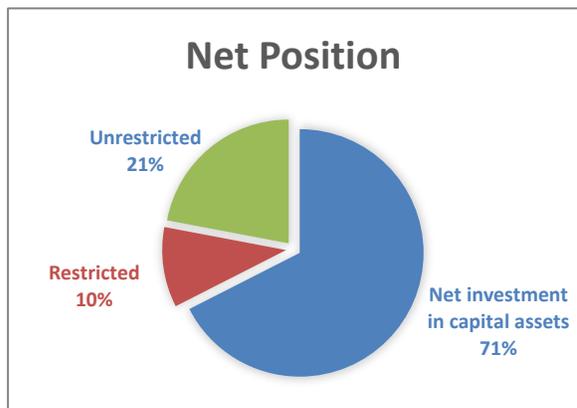
**CLACKAMAS COUNTY SERVICE DISTRICT NO. 1**  
(A Component Unit of Clackamas County, Oregon)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Fiscal Year Ended June 30, 2015**

**Financial Analysis (Continued)**

Net position decreased by \$1,934. Restricted pooled cash and investments increased by \$3,660. Capital assets decreased \$11,962. Depreciation expense was lower in 2015 due to certain assets being fully depreciated in the previous year. Noncurrent unbonded assessments receivable decreased \$926. The North Clackamas Revitalization Area (NCRA), a large assessment district, was completed in 2013. Some property owners within the NCRA paid their entire assessment during 2014 and 2015.



The majority of net investment in capital assets 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 21% of net position. These amounts have no external restriction concerning their use or function.

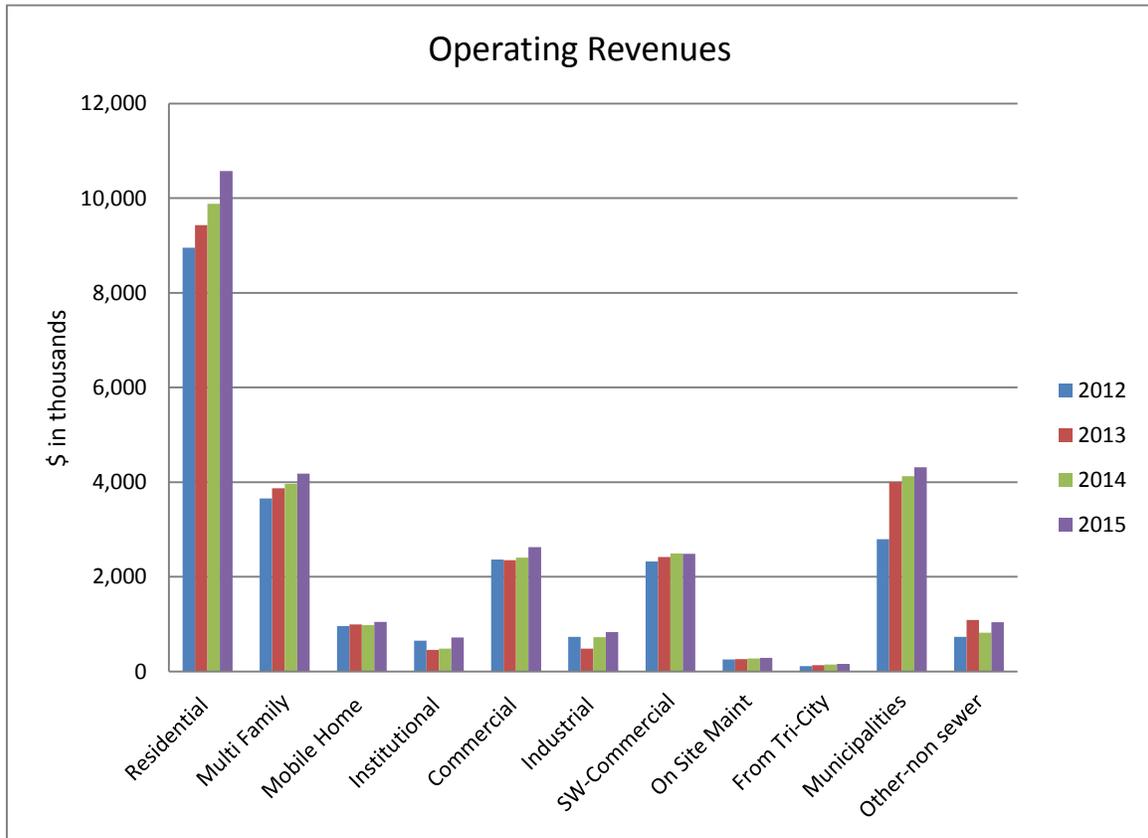
Total operating revenues increased \$1,969 in 2015 to \$28,268. Operating revenues in 2014 and 2013 were \$26,299 and \$25,486, respectively. Revenue from residential and commercial accounts increased 7.3%. Sewer rates increased from \$40.00 per Equivalent Dwelling Unit (EDU) to \$42.00 per EDU, or 5%. Surface water rates remained at \$6.35 per ESU. Residential and commercial revenue increased by more than the rate increase primarily due to growth in the customer base. Revenue from municipalities increased by 4.5%. The agreement between the City of Milwaukie and the District allowed for the wholesale rate to increase in line with District costs.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**Fiscal Year Ended June 30, 2015**

**Financial Analysis (Continued)**



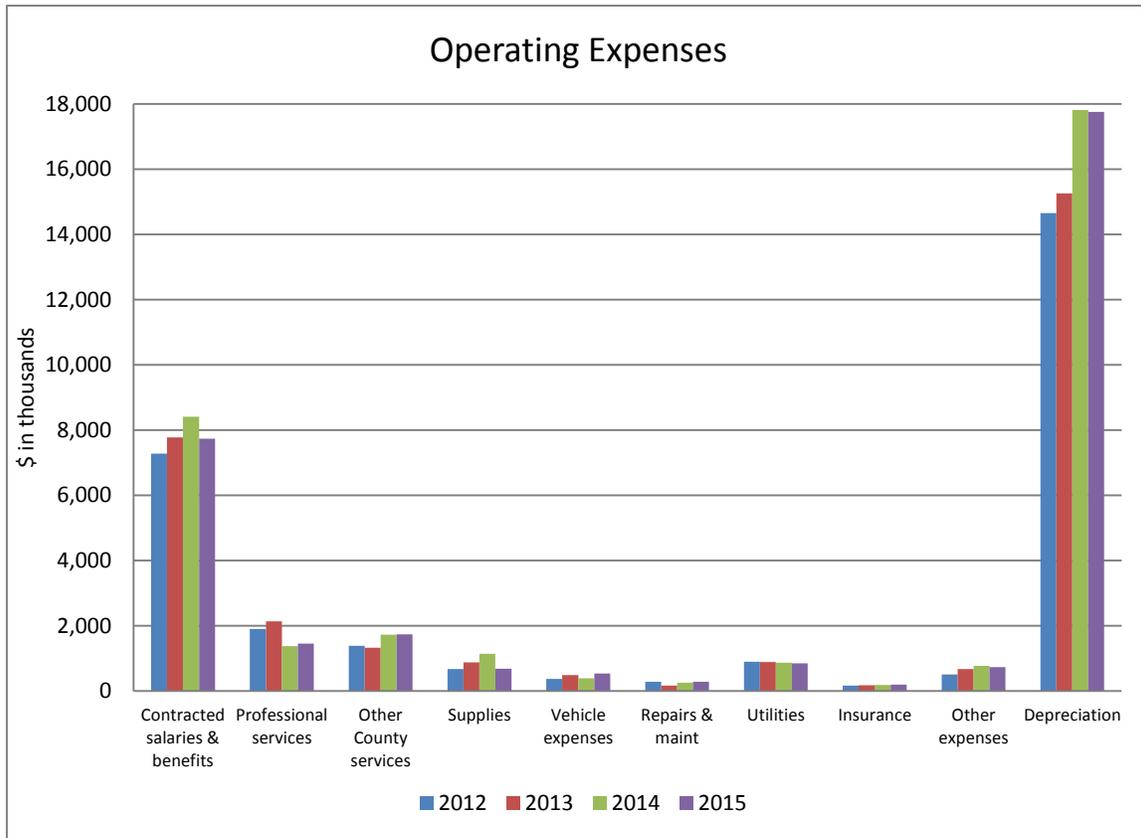
Operating expenses decreased \$959 or 2.9% in 2015. In 2014 operating expenses increased \$3,173 or 10.7% over 2013. Contracted salaries and benefits decreased \$668 or 7.9%, due primarily to vacancies. Professional services increased \$37 or 3.5% due to usage of consultants and additional environmental monitoring efforts. Other county services increased by \$9 due to additional staffing support from the County. Supplies, which include court related costs, decreased \$457. Depreciation and amortization decreased \$55 in 2015 because certain assets became fully depreciated in the previous year. 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, 2015**

**Financial Analysis (Continued)**



In nonoperating revenue (expense) accounts, total nonoperating expense decreased by \$752. Interest income increased by \$91. Interest expense decreased by \$504 due to Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* implemented in 2014.

Connection charges decreased \$409 due to fewer connections but were within the projected growth range for 2015. Capital contributions decreased by \$25.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Fiscal Year Ended June 30, 2015**

**Financial Analysis (Continued)**

The following table offers a comparison of revenues, expenses and changes in net position for the years ended June 30, 2015, 2014, and 2013:

**Changes in Net Position**

(Thousands of Dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Operating revenues:</b>			
Sewerage charges			
Residential and commercial	\$ 22,913	\$ 21,350	\$ 20,393
Municipalities and other	4,317	4,130	4,009
Other operating revenues	1,038	819	1,084
<b>Total operating revenues</b>	<u>28,268</u>	<u>26,299</u>	<u>25,486</u>
<b>Operating expenses:</b>			
Contracted salaries and benefits	7,736	8,404	7,774
Materials and services	24,208	24,499	21,956
<b>Total operating expenses</b>	<u>31,944</u>	<u>32,903</u>	<u>29,730</u>
<b>Operating loss</b>	<u>(3,676)</u>	<u>(6,604)</u>	<u>(4,244)</u>
<b>Nonoperating revenue (expense):</b>			
Interest income	701	610	477
Interest expense	(4,179)	(4,683)	(4,518)
Other	46	(110)	42
<b>Nonoperating expense</b>	<u>(3,432)</u>	<u>(4,183)</u>	<u>(3,999)</u>
<b>Loss before contributions</b>	<u>(7,108)</u>	<u>(10,787)</u>	<u>(8,243)</u>
Contributions	5,174	5,609	12,918
<b>Change in net position</b>	(1,934)	(5,178)	4,675
<b>Net position - beginning of year</b>	<u>153,199</u>	<u>158,377</u>	<u>153,702</u>
<b>Net position - end of year</b>	<u>\$ 151,265</u>	<u>\$ 153,199</u>	<u>\$ 158,377</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, 2015**

**Capital Asset and Debt Analysis**

The District's capital assets decreased \$11,962 or 5.7% and are detailed in Note 4. Plant and equipment decreased \$13,379 due to the depreciation of existing assets. Land and construction in progress increased \$1,417.

Noncurrent liabilities decreased by \$3,710 as shown in Notes 6 and 7. Long term debt fell by \$3,238. No new debt was issued, so the reduction is due to principal payments on debt issues. Noncurrent liabilities decreased from \$108,764 in 2013 to \$103,108 in 2014.

At June 30, 2015, the District had one outstanding debt issue of a revenue bond to finance capital improvements through an assessment district in Happy Valley, three outstanding debt issues of revenue obligations to finance capital improvements, 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 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.

Readers interested in more detailed information are referred to Notes 4 and 5 of the Notes to Basic Financial Statements beginning on page 18.

**Rates and Charges**

The District directly serves an estimated population of 96,619 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% per year. Growth was slow in fiscal years 2010 and 2011, due to poor economic conditions. Growth rebounded in 2012, 2013, and 2014 with 572, 483, and 512 new connections respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Fiscal Year Ended June 30, 2015**

**Rates and Charges (Continued)**

Growth in fiscal year 2014-15 was within range of the projected growth rate from the PSU study with 461 new connections. Hookups in the NCRA area are driving much of this growth. Completion of the NCRA has made for the potential of 932 new connections. New developments in other areas of the District are starting up as well.

While these future customers will increase the District's customer base and hence its 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. The SDC rate in the North Clackamas Sewer Area was \$6,600/EDU in fiscal years 2013, 2014, and 2015, and increased to \$6,950 effective July 1, 2015. 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 5 years, no further SDCs are due. If owners decide to connect five years after the establishment of the assessment district, they still receive the \$2,200 credit, but they also owe the \$4,750 balance of the District SDC.

The monthly retail rate for residential sewer service in all sewer service areas increased from \$40.00 to \$42.00 per EDU for fiscal year 2014-15. The monthly fee of \$6.35 per equivalent service unit, currently in place to provide for operations, maintenance, and debt service associated with the District's surface water management responsibilities, remained the same as 2013-14. It is expected that retail rates will be increased as necessary over the next several years to accommodate the increased operation, maintenance and capital asset related debt service requirements attendant with the growing needs of the District.

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

Growth in the District continued in fiscal year 2014-15. The number of connections decreased from 512 in 2014 to 461 in 2015.

The operations and maintenance budget for fiscal year 2015-16 represents a 5.3% increase over the budget for fiscal year 2014-15. In the sanitary sewer portion of the budget, labor, engineering, and other county expenses all increased. Labor is up due to benefit increases. Engineering expenses are budgeted to increase due to several significant planning studies scheduled to begin in 2015-16.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Fiscal Year Ended June 30, 2015**

**Economic Factors and Next Year's Budget (Continued)**

The surface water program is undertaking more watershed improvement projects and is expanding in its maintenance and capital improvement areas. As a result, the surface water portion of the total budget increased by 15.8%. The District budgeted a total of \$12,618 in sanitary sewer and surface water capital improvements in fiscal year 2015-16.

In July of 2012 the District and Tri-City Service District (TCSD) jointly 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 and the permit should allow the District to avoid substantial future costs. A remedial investigation and feasibility analysis to deal with site contamination from historical operations at the site was completed in 2014. In July 2015, TCSD and the District continued an alternatives evaluation. TCSD and the District will be reviewing the alternatives to determine if the site will remain unused or remediation efforts will commence. The District has determined that no obligating events have occurred as of June 30, 2015 therefore no liability has been recorded.

**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 Finance and Administration 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/wes](http://www.clackamas.us/wes).

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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, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Current assets:		
Pooled cash and investments	\$ 24,864,154	\$ 23,094,048
Unbonded assessments receivable, net	304,360	351,295
Accrued interest receivable on assessments, net	63,030	65,436
Accounts receivable	3,985,782	3,655,350
Interest receivable	314,170	287,573
Prepaid expenses	70,617	100,833
Total current assets	29,602,113	27,554,535
Noncurrent assets:		
Pooled cash and investments - restricted	23,617,330	19,957,245
Capital assets:		
Land, easements and construction in progress	9,044,388	7,627,428
Plant and equipment, net	188,345,691	201,724,821
Connection charges receivable, noncurrent portion	69,366	60,601
Bonded assessments receivable, net	165,001	211,178
Contracts receivable	1,336,577	1,531,753
Unbonded assessments receivable, noncurrent portion	5,164,832	6,090,928
Total noncurrent assets	227,743,185	237,203,954
Deferred outflows of resources:		
Deferred charges on debt refunding	-	29,828
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	257,345,298	264,788,317
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,350,398	1,698,360
Contract labor payable	590,290	518,310
Other liabilities	56,211	410,653
Unearned income	69,100	69,100
Due to other Service Districts	173,181	173,181
Due to Clackamas County	376,691	418,701
Accrued interest payable, payable from restricted assets	385,602	403,751
Loan payable, current portion	403,346	606,547
Current portion of long term debt, payable from restricted assets	3,277,120	4,182,120
Total current liabilities	6,681,939	8,480,723
Noncurrent liabilities:		
Long term unearned income, net of current portion	299,000	368,100
Long term contracts, net of current portion, payable from current assets	8,043,029	8,446,375
Long term debt, net of current portion, payable from restricted assets	91,055,779	94,293,877
Total noncurrent liabilities	99,397,808	103,108,352
TOTAL LIABILITIES	106,079,747	111,589,075
<b>NET POSITION</b>		
Net investment in capital assets	102,118,135	109,320,439
Restricted for capital projects	11,270,770	8,466,546
Restricted for debt service	4,568,612	3,696,025
Unrestricted	33,308,034	31,716,232
TOTAL NET POSITION	\$ 151,265,551	\$ 153,199,242

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, 2015 and 2014

	2015	2014
Operating revenues:		
Sewerage charges		
Residential and commercial	\$ 22,912,937	\$ 21,350,231
Municipalities and other	4,316,418	4,129,879
Other operating revenues	1,038,252	818,566
Total operating revenues	28,267,607	26,298,676
Operating expenses:		
Contracted salaries and benefits	7,735,723	8,404,311
Professional services	1,088,194	1,050,798
Laboratory services	364,970	321,119
Other County services	1,734,376	1,724,881
Supplies	678,497	1,134,602
Vehicle expenses	532,190	389,820
Repairs and maintenance	280,338	251,509
Utilities	849,276	868,072
Insurance	192,309	180,664
Other expense	730,318	764,180
Depreciation and amortization	17,757,833	17,813,020
Total operating expenses	31,944,024	32,902,976
Operating loss	(3,676,417)	(6,604,300)
Nonoperating revenue (expense):		
Interest income	700,846	610,312
Interest expense	(4,179,282)	(4,682,872)
Dispatchable power	69,100	69,100
Loss on disposal of capital assets	(22,039)	(179,784)
Total nonoperating expense	(3,431,375)	(4,183,244)
Loss before contributions	(7,107,792)	(10,787,544)
Contributions:		
Connection charges	3,343,541	3,753,164
Capital contributions	1,830,560	1,856,313
Total contributions	5,174,101	5,609,477
Change in net position	(1,933,691)	(5,178,067)
Net position - beginning of year	153,199,242	158,377,309
Net position - end of year	\$ 151,265,551	\$ 153,199,242

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 CASH FLOWS  
for the years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 27,068,860	\$ 26,088,652
Paid to suppliers for goods and services	(5,388,280)	(4,710,594)
Paid to related entities for services	(9,456,481)	(9,797,729)
Other operating revenue	1,019,996	819,843
NET CASH FROM OPERATING ACTIVITIES	13,244,095	12,400,172
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond principal paid	(4,145,000)	(4,025,000)
Interest paid on bonds and contracts	(4,165,701)	(4,575,651)
Assessment and contract principal collected	999,275	1,718,039
Interest received on assessments and contracts	(93,185)	(179,956)
Grant revenue	(28,569)	2,163
Capital contributed by customers/governments	3,925,766	3,859,431
Payments made on note payable	(606,547)	(450,633)
Acquisition of capital assets, net of dispositions	(4,374,192)	(3,578,801)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(8,488,153)	(7,230,408)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	674,249	613,155
NET CASH FROM INVESTING ACTIVITIES	674,249	613,155
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,430,191	5,782,919
POOLED CASH AND INVESTMENTS, BEGINNING OF YEAR	43,051,293	37,268,374
POOLED CASH AND INVESTMENTS, END OF YEAR <sup>(1)</sup>	\$ 48,481,484	\$ 43,051,293
<sup>(1)</sup> Pooled cash and investments are reflected on the Statement of Net Position as follows:		
Current assets - unrestricted	\$ 24,864,154	\$ 23,094,048
Noncurrent assets - restricted	23,617,330	19,957,245
	\$ 48,481,484	\$ 43,051,293

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 CASH FLOWS  
for the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Loss	\$ (3,676,417)	\$ (6,604,300)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	17,757,833	17,813,020
Changes in assets and liabilities:		
Other receivables	(195,103)	660,490
Prepaid expenses	30,216	4,063
Accounts payable and Due to Clackamas County	(389,972)	672,157
Contract labor payable	71,980	(10,950)
Other liabilities	(354,442)	(134,308)
Total adjustments	<u>16,920,512</u>	<u>19,004,472</u>
 NET CASH FROM OPERATING ACTIVITIES	 <u>\$ 13,244,095</u>	 <u>\$ 12,400,172</u>
 NONCASH CAPITAL ACTIVITY		
Contributions of capital assets from governments, developers and customers	 <u>\$ 1,248,335</u>	 <u>\$ 1,750,047</u>

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)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

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**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, 2015.

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**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, 2015. 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 and its share 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.

**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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assessments Receivable (Continued)**

The balance of the allowance at June 30, 2015 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.

**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.

**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.

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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 \$4,179,282 in 2015 and \$4,682,872 in 2014. Interest in the amount of \$45,910 was capitalized for 2015. No interest was capitalized for 2014.

**Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

**Bonds**

Bond premium and discount costs 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 the determination. Restricted for capital projects and debt service consists of net position on which constraints are placed by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including legal mandates. The balance in Restricted for capital projects of \$11,270,770 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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position (Continued)**

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. No supplemental budgets or appropriation transfers were made during the year ended June 30, 2015. 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. An IGA between the District and the County clarifies that for workers' compensation and employment practice liability issues, the District participates in Clackamas County's risk management pool. All employees of the District are contracted from the County. The County is responsible for any workers' compensation risk. All risk of loss related to the self-insurance program is borne by the County. The County is fully self-insured for unemployment benefits, short-term disability benefits, employment practice liability issues, 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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2014 financial statements have been reclassified to conform to the 2015 presentation.

**Adoption of New GASB Pronouncements**

During the fiscal year ended June 30, 2015, the District implemented the following GASB pronouncement:

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. The District had no government combinations or disposals of government operations during the 2014-15 fiscal year.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, Issued June 2012 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, Issued November 2013. Due to an intergovernmental agreement between the District and the County to provide firm services, including employment-related services, GASB Statements 68 and 71, which deal with accounting and financial reporting for pensions, are not applicable.

**Future Adoption of GASB Pronouncements**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015:

GASB Statement No. 72, Fair Value Measurement and Application, Issued February 2015

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, Issued June 2015

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Future Adoption of GASB Pronouncements - Continued**

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Issued June 2015

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Issued June 2015

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Issued June 2015

GASB Statement No. 77, Tax Abatement Disclosures, Issued August 2015

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:

	2015	2014
Petty Cash	\$ 1,500	\$ 1,500
Pooled cash and investments	48,479,984	43,049,793
	\$ 48,481,484	\$ 43,051,293

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, 2015 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, 2015. 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,

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**2. POOLED CASH AND INVESTMENTS (Continued)**

**Credit Risk (Continued)**

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.

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 District follows Clackamas County's investment policies to address credit risk, which mirror parameters for the investment of public funds set forth in the ORS. The State of Oregon LGIP is unrated. Investments with the County Treasurer are invested in US Treasury or US Agencies rated AAA or AA+.

**Custodial Credit Risk**

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 (SWMACC). 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 of participation in the Clackamas County Cash and Investment Pool. The District follows Clackamas County's policies to address custodial credit risk, which mirror parameters for the investment of public funds set forth in the ORS. Reference should be made to the Clackamas County Comprehensive Annual Financial Report for information regarding the interest, credit, and custodial credit risks associated with the County's various cash and investments.

**3. ACCOUNTS RECEIVABLE**

	2015	2014
Current connection charges receivable, including interest of \$5,778 and \$4,670 at June 30, 2015 and 2014, respectively	\$ 60,497	\$ 49,329
Sewerage user charges	3,066,897	2,906,403
Interest receivable on unbonded assessments	607,506	511,914
Grant receivable	71,635	43,066
Clackamas County	18,515	2,163
Miscellaneous	160,732	142,475
	\$ 3,985,782	\$ 3,655,350

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Transfers	Deletions	Balance June 30, 2015
Capital assets not being depreciated:					
Land and easements	\$ 5,261,908	\$ -	\$ -	\$ -	\$ 5,261,908
Construction in progress	2,365,520	4,584,556	(3,130,368)	(37,228)	3,782,480
Total capital assets not being depreciated	7,627,428	4,584,556	(3,130,368)	(37,228)	9,044,388
Capital assets being depreciated and amortized:					
Intangibles	802,162	-	-	-	802,162
Sewerage treatment plant	184,304,460	476,498	2,599,430	-	187,380,388
Sewerage treatment line system	128,630,763	771,837	382,405	-	129,785,005
Equipment	10,289,877	-	148,533	(173,087)	10,265,323
Total capital assets being depreciated and amortized	324,027,262	1,248,335	3,130,368	(173,087)	328,232,878
Less accumulated depreciation and amortization for:					
Intangibles	(802,162)	-	-	-	(802,162)
Sewerage treatment plant	(74,459,197)	(13,517,616)	-	-	(87,976,813)
Sewerage treatment line system	(39,201,292)	(3,842,742)	-	-	(43,044,034)
Equipment	(7,839,790)	(397,475)	-	173,087	(8,064,178)
Total accumulated depreciation and amortization	(122,302,441)	(17,757,833)	-	173,087	(139,887,187)
Total capital assets being depreciated & amortized, net	201,724,821	(16,509,498)	3,130,368	-	188,345,691
Total capital assets, net	\$ 209,352,249	\$ (11,924,942)	\$ -	\$ (37,228)	\$ 197,390,079

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

**4. CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance				Balance
	June 30, 2013				Additions
Capital assets not being depreciated:					
Land and easements	\$ 3,970,673	\$ 1,291,235	\$ -	\$ -	\$ 5,261,908
Construction in progress	443,094	3,744,539	(1,622,415)	(199,698)	2,365,520
Total capital assets not being depreciated	<u>4,413,767</u>	<u>5,035,774</u>	<u>(1,622,415)</u>	<u>(199,698)</u>	<u>7,627,428</u>
Capital assets being depreciated and amortized:					
Intangibles	802,162	-	-	-	802,162
Sewerage treatment plant	183,344,672	180,554	779,234	-	184,304,460
Sewerage treatment line system	128,335,812	278,258	16,693	-	128,630,763
Equipment	9,594,947	-	826,488	(131,558)	10,289,877
Total capital assets being depreciated and amortized	<u>322,077,593</u>	<u>458,812</u>	<u>1,622,415</u>	<u>(131,558)</u>	<u>324,027,262</u>
Less accumulated depreciation and amortization for:					
Intangibles	(802,162)	-	-	-	(802,162)
Sewerage treatment plant	(60,805,704)	(13,653,493)	-	-	(74,459,197)
Sewerage treatment line system	(35,365,586)	(3,835,706)	-	-	(39,201,292)
Equipment	(7,647,527)	(323,821)	-	131,558	(7,839,790)
Total accumulated depreciation and amortization	<u>(104,620,979)</u>	<u>(17,813,020)</u>	<u>-</u>	<u>131,558</u>	<u>(122,302,441)</u>
Total capital assets being depreciated & amortized, net	<u>217,456,614</u>	<u>(17,354,208)</u>	<u>1,622,415</u>	<u>-</u>	<u>201,724,821</u>
Total capital assets, net	<u>\$ 221,870,381</u>	<u>\$ (12,318,434)</u>	<u>\$ -</u>	<u>\$ (199,698)</u>	<u>\$ 209,352,249</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**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, 2015 the balance of the note was \$1,219,427, plus accrued interest in the amount of \$231,347.

**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. At June 30, 2015, Loan R22401 was paid in full.

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 commenced 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 commenced 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, 2015 and 2014

**6. LOANS PAYABLE (Continued)**

These loans are collateralized by future sewer revenues and contain certain financial covenants. As of June 30, 2015 and 2014, Management believes the District was in compliance with these covenants.

Changes in loans payable for the year ended June 30, 2015 are as follows:

	Interest Rates	Outstanding July 1, 2014	Increases	Decreases	Outstanding June 30, 2015	Current Portion
Revolving Loan R22401	4.11%	\$ 211,265	\$ -	\$ (211,265)	\$ -	\$ -
Revolving Loan R06224	0.00%	1,964,863	-	(106,208)	1,858,655	106,208
Revolving Loan R22403	2.77%	6,876,794	-	(289,074)	6,587,720	297,138
		<u>\$ 9,052,922</u>	<u>\$ -</u>	<u>\$ (606,547)</u>	<u>\$ 8,446,375</u>	<u>\$ 403,346</u>

Changes in loans payable for the year ended June 30, 2014 are as follows:

	Interest Rates	Outstanding July 1, 2013	Increases	Decreases	Outstanding June 30, 2014	Current Portion
Revolving Loan R22401	4.11%	\$ 414,108	\$ -	\$ (202,843)	\$ 211,265	\$ 211,265
Revolving Loan R06224	0.00%	2,071,071	-	(106,208)	1,964,863	106,208
Revolving Loan R22403	2.77%	7,018,376	-	(141,582)	6,876,794	289,074
		<u>\$ 9,503,555</u>	<u>\$ -</u>	<u>\$ (450,633)</u>	<u>\$ 9,052,922</u>	<u>\$ 606,547</u>

Future maturities of revolving loans are as follows:

Fiscal Year	Principal	Interest	Admin. Fees	Total
2016	\$ 403,346	\$ 180,436	\$ 41,229	\$ 625,011
2017	411,633	172,149	39,192	622,974
2018	420,153	163,629	37,112	620,894
2019	428,909	154,873	34,990	618,772
2020	437,909	145,873	32,823	616,605
2021-2025	2,333,594	585,316	129,967	3,048,877
2026-2030	2,599,397	319,513	68,382	2,987,292
2031-2033	1,411,434	48,049	8,547	1,468,030
	<u>\$ 8,446,375</u>	<u>\$ 1,769,838</u>	<u>\$ 392,242</u>	<u>\$ 10,608,455</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

**7. LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2015, are as follows:

	Interest Rates	Outstanding July 1, 2014	Increases	Decreases	Outstanding June 30, 2015	Current Portion
Revenue Bonds - 2002A	3.000% - 4.875%	\$ 1,255,000	\$ -	\$ (140,000)	\$ 1,115,000	\$ 135,000
Revenue Bonds - 2002B	2.000% - 3.650%	1,060,000	-	(1,060,000)	-	-
Revenue Obligations - 2009A	2.000% - 4.700%	34,245,000	-	(1,030,000)	33,215,000	1,070,000
Revenue Obligations - 2009B	2.250% - 5.000%	39,780,000	-	(1,235,000)	38,545,000	1,270,000
Revenue Obligations - 2010	2.000% - 4.625%	22,160,000	-	(680,000)	21,480,000	765,000
		<u>\$ 98,500,000</u>	<u>\$ -</u>	<u>\$ (4,145,000)</u>	<u>\$ 94,355,000</u>	<u>\$ 3,240,000</u>

Changes in long-term debt for the year ended June 30, 2014, are as follows:

	Interest Rates	Outstanding July 1, 2013	Increases	Decreases	Outstanding June 30, 2014	Current Portion
Revenue Bonds - 2002A	3.000% - 4.875%	\$ 1,395,000	\$ -	\$ (140,000)	\$ 1,255,000	\$ 140,000
Revenue Bonds - 2002B	2.000% - 3.650%	2,085,000	-	(1,025,000)	1,060,000	1,060,000
Revenue Obligations - 2009A	2.000% - 4.700%	35,240,000	-	(995,000)	34,245,000	1,030,000
Revenue Obligations - 2009B	2.250% - 5.000%	40,980,000	-	(1,200,000)	39,780,000	1,235,000
Revenue Obligations - 2010	2.000% - 4.625%	22,825,000	-	(665,000)	22,160,000	680,000
		<u>\$ 102,525,000</u>	<u>\$ -</u>	<u>\$ (4,025,000)</u>	<u>\$ 98,500,000</u>	<u>\$ 4,145,000</u>

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

	2015	2014
Current maturities - face value	\$ 3,240,000	\$ 4,145,000
Premium	37,120	37,120
	<u>\$ 3,277,120</u>	<u>\$ 4,182,120</u>
Future maturities - face value	\$ 91,115,000	\$ 94,355,000
Premium	699,333	736,453
Discount	(758,554)	(797,576)
	<u>\$ 91,055,779</u>	<u>\$ 94,293,877</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**7. LONG-TERM DEBT (Continued)**

**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, 2015 are as follows:

Fiscal Year	Principal	Interest
2016	\$ 135,000	\$ 49,589
2017	140,000	43,400
2018	140,000	36,995
2019	140,000	30,485
2020	140,000	23,835
2021-2023	420,000	30,713
	\$ 1,115,000	\$ 215,017

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. Management believes the District was in compliance with these covenants during the years ended June 30, 2015 and 2014.

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. The 2002B issuance, which defeased revenue bond issued in 1994, was paid in full at June 30, 2015.

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 is reported in the accompanying basic financial statements as a deferred charge on refunding within the section deferred outflows of resources in accordance with *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

**7. LONG-TERM DEBT (Continued)**

**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, 2015 are as follows:

Fiscal Year	Principal	Interest
2016	\$ 1,070,000	\$ 1,372,643
2017	1,110,000	1,339,943
2018	1,160,000	1,305,893
2019	1,210,000	1,270,343
2020	1,270,000	1,229,968
2021-2025	7,405,000	5,357,481
2026-2030	9,785,000	3,537,598
2031-2034	10,205,000	980,331
	<u>\$ 33,215,000</u>	<u>\$ 16,394,200</u>

Maturities of 2009B bond principal at June 30, 2015 are as follows:

Fiscal Year	Principal	Interest
2016	\$ 1,270,000	\$ 1,564,013
2017	1,315,000	1,523,425
2018	1,360,000	1,469,925
2019	1,415,000	1,414,425
2020	1,470,000	1,356,725
2021-2025	8,325,000	5,831,925
2026-2030	10,350,000	3,970,800
2031-2034	13,040,000	1,510,088
	<u>\$ 38,545,000</u>	<u>\$ 18,641,326</u>

Maturities of 2010 bond principal at June 30, 2015 are as follows:

Fiscal Year	Principal	Interest
2016	\$ 765,000	\$ 870,069
2017	770,000	850,869
2018	790,000	827,469
2019	805,000	799,519
2020	820,000	767,019
2021-2025	4,640,000	3,312,094
2026-2030	5,400,000	2,280,359
2031-2035	5,970,000	1,066,644
2036	1,520,000	35,150
	<u>\$ 21,480,000</u>	<u>\$ 10,809,192</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**7. LONG-TERM DEBT (Continued)**

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

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. Management believes the District was in compliance with these covenants during the years ended June 30, 2015 and 2014.

At June 30, 2015, 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, 2015 Revenue	For the Year Ended June 30, 2015 Debt (P&I) Payments
State Loan R22401	Sewer Fees	2015	\$ -	\$ 18,304,577 *	\$ 218,333
State Loan R06224	Sewer Assessments	2033	1,858,655	-	106,208
State Loan R22403	Sewer Assessments	2033	6,587,720	-	511,240
Revenue Bonds 2002A	Sewer Fees	2023	1,115,000	-	195,638
Revenue Bonds 2002B	Sewer & Surface Water Fees	2015	-	-	1,079,345
Revenue Obligations 2009A	Sewer Fees	2034	33,215,000	-	2,434,143
Revenue Obligations 2009B	Sewer Fees	2035	38,545,000	-	2,844,175
Revenue Obligations 2010	Sewer Fees	2036	21,480,000	-	1,564,519
<b>Total</b>			<b>\$ 102,801,375</b>	<b>\$ 18,304,577</b>	<b>\$ 8,953,601</b>

\* Same net revenue source pledged for multiple purposes.  
Total Gross Revenues of \$32,490,768 less Total Operating Expenses of \$14,186,191.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

**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 \$1,580,000 and \$1,356,000 in 2015 and 2014, respectively, to TCSD and SWMACC.

During fiscal years 2015 and 2014, 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 Position for 2015 and 2014, charged by the above departments, totaled approximately \$9,470,000 and \$10,129,000 respectively.

At June 30, related party balances consist of:

	Receivable		Payable	
	2015	2014	2015	2014
Clackamas County	\$ 1,469,290 *	\$ 1,630,781 *	\$ 376,691	\$ 418,701
Clackamas County - Contract labor payable	-	-	590,290	518,310
Subtotal	<u>1,469,290</u>	<u>1,630,781</u>	<u>966,981</u>	<u>937,011</u>
Tri-City Service District	-	-	173,181	173,181
Subtotal	<u>-</u>	<u>-</u>	<u>173,181</u>	<u>173,181</u>
Total	<u>\$ 1,469,290</u>	<u>\$ 1,630,781</u>	<u>\$ 1,140,162</u>	<u>\$ 1,110,192</u>

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2015 and 2014

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**8. RELATED PARTY TRANSACTIONS (Continued)**

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 \$498,555 in 2014-15 and \$348,655 in 2013-14 for biosolids treatment services.

**9. COMMITMENTS**

The District has commitments under contractual agreements for various multi-year contracts amounting to approximately \$3,440,000.

**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 Report and Human Health and Ecological Risk Assessments commissioned by WES on behalf of TCSD and the District were accepted by DEQ on June 18, 2014. In July 2015, TCSD and the District continued an alternatives evaluation. TCSD and the District will be reviewing the alternatives to determine if the site will remain unused or remediation efforts will commence. The District has determined that no obligating events have occurred as of June 30, 2015 therefore no liability has been recorded.

# Supplementary Information





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

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Basis of Accounting

For financial reporting and operating purposes, management considers 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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Monthly service charges	\$ 18,243,150	\$ 18,645,221	\$ 402,071	\$ 17,027,081
Operation payments by cities	4,333,896	4,316,418	(17,478)	4,129,879
Assessments collected (including interest of \$48,742 in 2015 and \$34,173 in 2014)	30,000	48,742	18,742	34,173
Sewer hookup fees	5,000	-	(5,000)	6,600
Sewer hookup contract payment (including interest of \$1,875 in 2015 and \$2,031 in 2014)	-	10,350	10,350	12,303
Special connection charges	100,000	178,774	78,774	156,678
Interest on investments	7,465	96,482	89,017	91,256
Grants	244,000	-	(244,000)	-
Miscellaneous	920,600	1,056,975	136,375	905,448
Total revenues	<u>23,884,111</u>	<u>24,352,962</u>	<u>468,851</u>	<u>22,363,418</u>
<b>EXPENDITURES:</b>				
Materials and services	13,123,088	11,470,752	1,652,336	12,124,364
Contingency	1,500,000	-	1,500,000	-
Total expenditures	<u>14,623,088</u>	<u>11,470,752</u>	<u>3,152,336</u>	<u>12,124,364</u>
Revenues over (under) expenditures	<u>9,261,023</u>	<u>12,882,210</u>	<u>3,621,187</u>	<u>10,239,054</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  
for the year ended June 30, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance with Final Budget	
OTHER FINANCING USES:				
Transfers to other funds:				
Revenue Bond Fund	(7,543,440)	(7,543,440)	-	(7,559,813)
State Revolving Loan Debt	(679,825)	(602,665)	77,160	(911,373)
Sanitary Sewer Construction	(1,500,000)	(1,500,000)	-	(2,000,000)
Total transfers to other funds	<u>(9,723,265)</u>	<u>(9,646,105)</u>	<u>77,160</u>	<u>(10,471,186)</u>
Net change in fund balance	<u>(462,242)</u>	<u>3,236,105</u>	<u>3,698,347</u>	<u>(232,132)</u>
Fund balance - beginning	<u>1,492,978</u>	<u>3,091,733</u>	<u>1,598,755</u>	<u>3,323,865</u>
Fund balance - ending	<u>\$ 1,030,736</u>	<u>6,327,838</u>	<u>\$ 5,297,102</u>	<u>\$ 3,091,733</u>
Adjustment to GAAP basis:				
Mortgage connection receivable		95,843		
Capital assets (net of accumulated depreciation)		179,179,225		
Prepaid expenses		16,206		
Bonds receivable		1,187,086		
Interest receivable		251,360		
Due to other entities		(353,407)		
Bond assessments receivable		683,948		
Contracts receivable		1,357,644		
Other long term liabilities		(299,000)		
Other		(64,100)		
Net position - GAAP basis		<u>\$ 188,382,643</u>		

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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Connection Charges by cities	\$ -	\$ 90,720	\$ 90,720	\$ 107,730
Connection Charges	3,580,416	2,966,012	(614,404)	3,371,312
Interest on investments	32,196	46,641	14,445	14,965
Total revenues	<u>3,612,612</u>	<u>3,103,373</u>	<u>(509,239)</u>	<u>3,494,007</u>
<b>EXPENDITURES:</b>				
Capital outlay	492,000	393,879	98,121	394,492
Contingency	123,000	-	123,000	-
Total expenditures	<u>615,000</u>	<u>393,879</u>	<u>221,121</u>	<u>394,492</u>
Revenues over expenditures	<u>2,997,612</u>	<u>2,709,494</u>	<u>(288,118)</u>	<u>3,099,515</u>
Net change in fund balance	<u>2,997,612</u>	<u>2,709,494</u>	<u>(288,118)</u>	<u>3,099,515</u>
Fund balance - beginning	<u>6,439,180</u>	<u>7,144,470</u>	<u>705,290</u>	<u>4,044,955</u>
Fund balance - ending	<u>\$ 9,436,792</u>	<u>9,853,964</u>	<u>\$ 417,172</u>	<u>\$ 7,144,470</u>
Adjustment to GAAP basis:				
Interest receivable		<u>11,163</u>		
Net position - GAAP basis		<u>\$ 9,865,127</u>		

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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Assessments collected	\$ 400,000	\$ 938,700	\$ 538,700	\$ 1,599,604
Interest on assessments	-	195,195	195,195	155,689
Interest on investments	15,509	17,980	2,471	3,292
Total revenues	<u>415,509</u>	<u>1,151,875</u>	<u>736,366</u>	<u>1,758,585</u>
<b>EXPENDITURES:</b>				
Principal	606,547	606,547	-	450,633
Interest	238,794	238,793	1	459,582
Total expenditures	<u>845,341</u>	<u>845,340</u>	<u>1</u>	<u>910,215</u>
Revenues over (under) expenditures	<u>(429,832)</u>	<u>306,535</u>	<u>736,367</u>	<u>848,370</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfer from other funds:				
Sanitary Sewer Fund	<u>679,825</u>	<u>602,665</u>	<u>(77,160)</u>	<u>911,373</u>
Net change in fund balance	<u>249,993</u>	<u>909,200</u>	<u>659,207</u>	<u>1,759,743</u>
Fund balance - beginning	<u>3,101,822</u>	<u>3,079,964</u>	<u>(21,858)</u>	<u>1,320,221</u>
Fund balance - ending	<u>\$ 3,351,815</u>	<u>3,989,164</u>	<u>\$ 637,349</u>	<u>\$ 3,079,964</u>
<b>Adjustment to GAAP basis:</b>				
Bonds payable		(8,446,375)		
Interest payable		(60,827)		
Interest receivable		306,295		
Bond assessments receivable		<u>5,155,139</u>		
Net position - GAAP basis		<u>\$ 943,396</u>		

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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			
	Original And Final Budget	Actual	Variance with Final Budget	2014 Actual
<b>REVENUES:</b>				
Assessments collected	\$ 10,000	\$ -	\$ (10,000)	\$ -
Interest on assessments	5,000	56,997	51,997	38,165
Interest on investments	42,133	82,893	40,760	69,349
Total revenues	57,133	139,890	82,757	107,514
<b>EXPENDITURES:</b>				
Principal	4,145,000	4,145,000	-	4,025,000
Interest	3,972,820	3,972,819	1	4,116,067
Total expenditures	8,117,820	8,117,819	1	8,141,067
Revenues over (under) expenditures	(8,060,687)	(7,977,929)	82,758	(8,033,553)
<b>OTHER FINANCING SOURCES:</b>				
Transfer from other funds:				
Sanitary Sewer Fund	7,543,440	7,543,440	-	7,559,813
Surface Water Fund	378,742	378,742	-	379,633
Total transfers from other funds	7,922,182	7,922,182	-	7,939,446
Net change in fund balance	(138,505)	(55,747)	82,758	(94,107)
Fund balance - beginning	8,426,506	8,476,171	49,665	8,570,278
Fund balance - ending	\$ 8,288,001	8,420,424	\$ 132,423	\$ 8,476,171
<b>Adjustment to GAAP basis:</b>				
Due from NCSA B&I		(1,187,086)		
Capitalized bond premium/discount		758,555		
Long term debt		(91,814,334)		
Happy Valley lien		165,001		
Bonds payable		(3,277,120)		
Interest payable		(324,775)		
Interest receivable		8,855		
Net position - GAAP basis		\$ (87,250,480)		

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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Interest on investments	\$ 57,440	\$ 57,341	\$ (99)	\$ 43,461
Miscellaneous	-	133,807	133,807	-
Total revenues	<u>57,440</u>	<u>191,148</u>	<u>133,708</u>	<u>43,461</u>
<b>EXPENDITURES:</b>				
Capital outlay	10,591,947	3,324,560	7,267,387	2,734,211
Contingency	500,000	-	500,000	-
Total expenditures	<u>11,091,947</u>	<u>3,324,560</u>	<u>7,767,387</u>	<u>2,734,211</u>
Revenues over (under) expenditures	<u>(11,034,507)</u>	<u>(3,133,412)</u>	<u>7,901,095</u>	<u>(2,690,750)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfer from other funds:				
Sanitary Sewer Fund	1,500,000	1,500,000	-	2,000,000
Total other financing sources	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>2,000,000</u>
Net change in fund balance	<u>(9,534,507)</u>	<u>(1,633,412)</u>	<u>7,901,095</u>	<u>(690,750)</u>
Fund balance - beginning	<u>11,487,905</u>	<u>12,091,245</u>	<u>603,340</u>	<u>12,781,995</u>
Fund balance - ending	<u>\$ 1,953,398</u>	10,457,833	<u>\$ 8,504,435</u>	<u>\$ 12,091,245</u>
<b>Adjustment to GAAP basis:</b>				
Interest receivable		<u>10,561</u>		
Net position - GAAP basis		<u>\$ 10,468,394</u>		

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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Monthly service charges	\$ 4,138,738	\$ 4,108,317	\$ (30,421)	\$ 4,068,951
Grants	530,000	-	(530,000)	-
Interest on investments	20,605	21,708	1,103	10,440
Miscellaneous	200,000	197,737	(2,263)	112,449
Total revenues	<u>4,889,343</u>	<u>4,327,762</u>	<u>(561,581)</u>	<u>4,191,840</u>
<b>EXPENDITURES:</b>				
Materials and services	3,484,889	3,039,918	444,971	3,014,505
Contingency	580,815	-	580,815	-
Total expenditures	<u>4,065,704</u>	<u>3,039,918</u>	<u>1,025,786</u>	<u>3,014,505</u>
Revenues over (under) expenditures	<u>823,639</u>	<u>1,287,844</u>	<u>464,205</u>	<u>1,177,335</u>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds:				
Revenue Bond Fund	(378,742)	(378,742)	-	(379,633)
Net change in fund balance	<u>444,897</u>	<u>909,102</u>	<u>464,205</u>	<u>797,702</u>
Fund balance - beginning	<u>4,121,059</u>	<u>3,749,530</u>	<u>(371,529)</u>	<u>2,951,828</u>
Fund balance - ending	<u>4,565,956</u>	<u>4,658,632</u>	<u>\$ 92,676</u>	<u>\$ 3,749,530</u>
<b>Adjustments to GAAP basis:</b>				
Due from NCSA general fund		124,015		
Capital assets (net of accumulated depreciation)		18,210,853		
Interest receivable		4,993		
Net Position - GAAP basis		<u>\$ 22,998,493</u>		

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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			
	Original And Final Budget	Actual	Variance with Final Budget	2014 Actual
REVENUES:				
Connection Charges	\$ 95,000	\$ 92,045	\$ (2,955)	\$ 110,064
Interest on investments	5,147	7,425	2,278	4,390
Total revenues	100,147	99,470	(677)	114,454
EXPENDITURES:				
Capital outlay	400,000	-	400,000	-
Contingency	100,000	-	100,000	-
Total expenditures	500,000	-	500,000	-
Revenues over (under) expenditures	(399,853)	99,470	499,323	114,454
Net change in fund balance	(399,853)	99,470	499,323	114,454
Fund balance - beginning	1,029,454	1,344,756	315,302	1,230,302
Fund balance - ending	\$ 629,601	1,444,226	\$ 814,625	\$ 1,344,756
Adjustment to GAAP basis:				
Interest receivable		1,590		
Net position - GAAP basis		\$ 1,445,816		

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, 2015  
(with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Grants	\$ -	\$ 448,418	\$ 448,418	\$ 43,066
Interest on investments	18,970	24,807	5,837	17,344
Miscellaneous	-	8	8	-
Total revenues	<u>18,970</u>	<u>473,233</u>	<u>454,263</u>	<u>60,410</u>
<b>EXPENDITURES:</b>				
Capital outlay	1,200,000	690,548	509,452	446,808
Contingency	300,000	-	300,000	-
Total expenditures	<u>1,500,000</u>	<u>690,548</u>	<u>809,452</u>	<u>446,808</u>
Revenues over (under) expenditures	<u>(1,481,030)</u>	<u>(217,315)</u>	<u>1,263,715</u>	<u>(386,398)</u>
Net change in fund balance	<u>(1,481,030)</u>	<u>(217,315)</u>	<u>1,263,715</u>	<u>(386,398)</u>
Fund balance - beginning	<u>3,794,036</u>	<u>4,624,583</u>	<u>830,547</u>	<u>5,010,981</u>
Fund balance - ending	<u>\$ 2,313,006</u>	4,407,268	<u>\$ 2,094,262</u>	<u>\$ 4,624,583</u>
Adjustment to GAAP basis:				
Interest receivable		<u>4,894</u>		
Net position - GAAP basis		<u>\$ 4,412,162</u>		

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, 2015

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Fund	Description	Net Position GAAP Basis
111	Sanitary Sewer General Fund	\$ 188,382,643
112	Sanitary Sewer System Development Charge Fund	9,865,127
115	State Revolving Loan Debt Service Fund	943,396
116	Revenue Bond Fund	(87,250,480)
119	Sanitary Sewer Construction Fund	10,468,394
151	Surface Water General Fund	22,998,493
152	Surface Water System Development Charge Fund	1,445,816
159	Surface Water Construction Fund	4,412,162
	Total Net Position	\$ 151,265,551

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# Statistical Section





## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	47
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue source: user fees.	49
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.	51
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.	54
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.	56

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,	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Assets
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
2014	109,320,439	12,162,571	31,716,232	153,199,242
2015	102,118,135	15,839,382	33,308,034	151,265,551

In fiscal year 2014-15, this chart has been revised for prior year data.

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Operating revenues:</b>										
Sewerage and surface water charges	\$ 11,924,297	\$ 12,845,817	\$ 14,350,227	\$ 15,888,357	\$ 18,412,534	\$ 19,726,719	\$ 20,016,519	\$ 20,393,369	\$ 21,350,231	\$ 22,912,937
Municipal and other	1,293,175	906,177	1,205,243	1,355,687	2,255,734	2,461,608	2,794,416	4,008,490	4,129,879	4,316,418
Other operating revenues	1,430,261	1,283,472	1,134,552	970,295	797,053	868,823	730,458	1,084,477	818,566	1,038,252
Total operating revenues	14,647,733	15,035,466	16,690,022	18,214,339	21,465,321	23,057,150	23,541,393	25,486,336	26,298,676	28,267,607
<b>Operating expenses:</b>										
Contracted salaries and benefits	7,850,246	6,779,176	6,938,844	7,062,707	7,074,325	7,240,023	7,274,639	7,773,485	8,404,311	7,735,723
Professional services	714,569	959,139	1,053,673	1,413,120	1,827,070	1,810,502	1,597,649	1,813,248	1,050,798	1,088,194
Laboratory services	-	-	-	-	-	297,715	304,149	318,366	321,119	364,970
Other County Services	-	1,045,654	1,029,106	1,199,416	1,445,135	1,470,097	1,378,572	1,327,312	1,724,881	1,734,376
Supplies	641,754	301,053	771,100	906,372	866,930	406,502	674,237	872,686	1,134,602	678,497
Vehicle Expense	-	419,997	451,871	348,841	373,022	404,118	364,836	483,980	389,820	532,190
Repairs and maintenance	135,005	228,729	197,771	191,723	195,426	197,381	274,951	158,059	251,509	280,338
Utilities	536,692	637,158	690,110	683,632	761,963	865,569	894,216	886,071	868,072	849,276
Insurance	-	165,836	158,534	162,319	161,780	150,792	165,072	171,043	180,664	192,309
Other Expense	451,411	282,655	259,758	379,973	441,534	459,340	504,752	668,755	764,180	730,318
Depreciation	3,709,411	3,872,591	4,543,307	5,187,758	5,892,895	5,784,798	14,855,084	15,257,264	17,813,020	17,757,833
Total operating expenses	14,039,088	14,691,988	16,094,074	17,535,861	19,040,080	19,086,837	28,088,157	29,730,269	32,902,976	31,944,024
Operating income	608,645	343,478	595,948	678,478	2,425,241	3,970,313	(4,546,764)	(4,243,933)	(6,604,300)	(3,676,417)
<b>Nonoperating revenue (expense):</b>										
Interest income	983,464	1,683,990	1,684,674	848,728	651,411	360,776	472,179	476,623	610,312	700,846
Interest expense	(519,223)	(463,053)	(401,913)	(355,661)	(314,396)	(272,185)	(3,452,205)	(4,442,436)	(4,682,872)	(4,179,282)
Other nonoperating revenue (expense)	(583,679)	(206,957)	17,092	(3,157,520)	(299,424)	(4,217,627)	(67,216)	(33,139)	(110,684)	47,061
Total nonoperating revenue (expense)	(119,438)	1,013,980	1,299,853	(2,664,453)	37,591	(4,129,036)	(3,047,242)	(3,998,952)	(4,183,244)	(3,431,375)
Income (loss) before contributions	489,207	1,357,458	1,895,801	(1,985,975)	2,462,832	(158,723)	(7,594,006)	(8,242,885)	(10,787,544)	(7,107,792)
<b>Contributions</b>	7,441,970	11,514,446	8,787,580	5,296,833	4,001,384	5,036,465	6,136,491	12,917,564	5,609,477	5,174,101
<b>Change in Net Position</b>	\$ 7,931,177	\$ 12,871,904	\$ 10,683,381	\$ 3,310,858	\$ 6,464,216	\$ 4,877,742	\$ (1,457,515)	\$ 4,674,679	\$ (5,178,067)	\$ (1,933,691)

In fiscal year 2014-15, this chart has been revised for prior year data.

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sanitary Sewer										
Cities	\$ 1,293,175	\$ 1,131,985	\$ 1,205,243	\$ 1,355,687	\$ 2,255,734	\$ 2,461,608	\$ 2,794,416	\$ 4,008,490	\$ 4,129,879	\$ 4,316,418
Residential	4,001,940	4,477,024	5,137,417	5,910,986	7,008,541	7,708,083	7,885,373	8,321,820	8,726,084	9,402,831
Commercial	1,309,828	1,390,506	1,625,333	1,846,936	2,200,618	2,384,496	2,362,488	2,353,467	2,408,756	2,623,590
Industrial	497,921	558,458	614,800	650,177	756,707	749,693	733,628	480,636	722,896	829,918
Other	2,806,628	2,805,320	3,503,854	3,940,581	4,792,895	5,211,790	5,272,524	5,317,035	5,423,544	5,948,282
Surface Water										
Residential	1,035,692	1,084,584	1,122,024	1,141,125	1,153,556	1,153,380	1,184,644	1,242,630	1,301,721	1,334,434
Commercial	2,096,338	2,105,872	2,126,766	2,167,256	2,266,915	2,281,926	2,326,343	2,416,996	2,493,629	2,486,219
Other	175,950	198,245	220,033	231,296	233,302	237,351	251,519	260,785	273,601	287,663
Total	\$ 13,217,472	\$ 13,751,994	\$ 15,555,470	\$ 17,244,044	\$ 20,668,268	\$ 22,188,327	\$ 22,810,935	\$ 24,401,859	\$ 25,480,110	\$ 27,229,355

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
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	2.63	1,269
2013	103,264,553	-	9,503,555	112,768,108	2.43	1,201
2014	98,475,997	-	9,052,922	107,528,919	N/A	1,130
2015	94,332,899	-	8,446,375	102,779,274	N/A	1,064

N/A: 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, 2015

Governmental Unit	Debt Outstanding	Percent Overlapping	Overlapping General Obligation Bonded Debt
<b>Debt repaid with property taxes</b>			
City of Happy Valley	\$ 3,750,000	100.00 %	\$ 3,750,000
Clackamas Community College	66,116,012	99.75	65,950,722
Clackamas County	98,780,000	99.82	98,602,196
Clackamas County School District #115 (Gladstone)	51,535,310	100.00	51,535,310
Clackamas County School District #12 (North Clackamas)	327,458,315	100.00	327,458,315
Clackamas County School District #46 (Oregon Trail)	107,595,487	100.00	107,595,487
Metro	193,205,000	18.46	35,665,643
Mt Hood Community College	24,445,000	16.49	4,030,981
Multnomah County School District #28J (Centennial)	26,836,858	6.77	1,816,855
<b>Other Debt</b>			
City of Gladstone	1,695,000	100.00	1,695,000
Clackamas Community College	28,045,000	99.75	27,974,888
Clackamas County	1,400,000	99.82	1,397,480
Clackamas County Education Service District	23,405,000	99.26	23,231,803
Clackamas County Rural Fire Protection District #1	18,290,000	99.79	18,251,591
Metro	30,420,000	18.46	5,615,532
Mt. Hood Community College	41,038,056	16.49	6,767,175
Multnomah County Education Service District	31,355,000	1.64	514,222
North Clackamas Parks & Recreation District	9,925,000	100.00	9,925,000
Port of Portland	65,302,566	22.60	14,758,380
<b>Total overlapping debt</b>	<b>\$ 1,150,597,604</b>		<b>\$ 806,536,580</b>

Note:

(1) 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

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Gross Revenues</b>										
Monthly Service Charges	\$ 11,939,727	\$ 12,881,815	\$ 14,207,527	\$ 15,664,174	\$ 18,412,535	\$ 19,726,719	\$ 20,016,519	\$ 20,807,015	\$ 21,350,231	\$ 22,912,937
Operating Payment from Cities	1,303,722	912,569	1,103,540	1,404,874	2,213,101	2,461,608	2,794,416	4,008,490	4,129,879	4,316,418
Interest Earnings	995,623	1,551,085	1,541,499	883,179	659,178	328,916	420,859	352,341	610,312	700,846
Capital Outlay Payment from Cities	198,842	219,443	605,657	-	-	-	-	-	-	-
Miscellaneous Income	1,642,443	1,327,600	1,557,243	708,868	799,758	925,654	1,093,167	1,139,185	881,766	1,038,252
Capital Charge Revenues	670,916	676,820	312,942	256,086	73,386	63,253	52,130	1,211,026	157,457	178,774
System Development Charges	3,753,103	1,986,245	1,594,507	1,221,308	1,454,421	4,254,558	3,295,766	3,363,605	3,595,706	3,148,777
Other Connection Charges	479,921	474,380	328,471	173,019	163,792	222,735	131,200	123,273	165,557	194,764
<b>Total Gross Revenues</b>	<b>\$ 20,984,297</b>	<b>\$ 20,029,957</b>	<b>\$ 21,251,386</b>	<b>\$ 20,311,508</b>	<b>\$ 23,776,171</b>	<b>\$ 27,983,443</b>	<b>\$ 27,804,057</b>	<b>\$ 31,004,935</b>	<b>\$ 30,890,908</b>	<b>\$ 32,490,768</b>
<b>Operating Expenses</b>										
Operation, Maintenance & Replacements	10,446,877	10,973,250	11,624,034	12,829,468	13,317,079	13,704,474	13,872,327	14,603,670	15,089,956	14,186,191
<b>Total Operating Expenses</b>	<b>10,446,877</b>	<b>10,973,250</b>	<b>11,624,034</b>	<b>12,829,468</b>	<b>13,317,079</b>	<b>13,704,474</b>	<b>13,872,327</b>	<b>14,603,670</b>	<b>15,089,956</b>	<b>14,186,191</b>
<b>Net Operating Revenues</b>	<b>\$ 10,537,420</b>	<b>\$ 9,056,707</b>	<b>\$ 9,627,352</b>	<b>\$ 7,482,040</b>	<b>\$ 10,459,092</b>	<b>\$ 14,278,969</b>	<b>\$ 13,931,730</b>	<b>\$ 16,401,265</b>	<b>\$ 15,800,952</b>	<b>\$ 18,304,577</b>
<b>Revenue Bond Debt Service</b>										
Series 1994	\$ 683,050	\$ 681,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2002A	212,063	243,238	233,788	229,063	223,988	218,650	213,138	207,450	201,623	195,638
Series 2002B	397,538	394,500	1,078,200	1,083,363	1,079,713	1,081,256	1,080,229	1,082,155	1,081,884	1,079,345
Series 2009A	-	-	-	-	2,285,215	2,406,243	2,412,793	2,418,968	2,424,543	2,434,143
Series 2009B	-	-	-	-	935,831	2,880,175	2,881,800	2,877,450	2,870,050	2,844,175
Series 2010	-	-	-	-	-	-	1,562,326	1,561,119	1,562,969	1,564,519
<b>Total Revenue Bond Debt Service</b>	<b>\$ 1,292,651</b>	<b>\$ 1,319,188</b>	<b>\$ 1,311,988</b>	<b>\$ 1,312,426</b>	<b>\$ 4,524,747</b>	<b>\$ 6,586,324</b>	<b>\$ 8,150,286</b>	<b>\$ 8,147,142</b>	<b>\$ 8,141,069</b>	<b>\$ 8,117,820</b>
Revenue Bonds Debt Service Coverage	8.2	6.9	7.3	5.7	2.3	2.2	1.7	2.0	1.9	2.3
Revenue Bonds Coverage without SDC's	5.2	5.4	6.1	4.8	2.0	1.5	1.3	1.6	1.5	1.9
<b>Revenues Available for</b>										
<b>State Revolving Fund Loans</b>	<b>\$ 9,244,769</b>	<b>\$ 7,737,519</b>	<b>\$ 8,315,364</b>	<b>\$ 6,169,614</b>	<b>\$ 5,934,345</b>	<b>\$ 7,692,645</b>	<b>\$ 5,781,444</b>	<b>\$ 8,254,123</b>	<b>\$ 7,659,883</b>	<b>\$ 10,186,757</b>
<b>State Revolving Fund Loan Debt Service</b>										
R22401	\$ 226,293	\$ 225,546	\$ 224,767	\$ 223,956	\$ 220,750	\$ 219,773	\$ 221,316	\$ 219,081	\$ 218,584	\$ 218,333
R06224	-	-	-	-	-	-	-	-	106,208	106,208
R22403	-	-	-	-	-	-	-	-	580,378	511,240
<b>Total State Revolving Loan Debt Service</b>	<b>\$ 226,293</b>	<b>\$ 225,546</b>	<b>\$ 224,767</b>	<b>\$ 223,956</b>	<b>\$ 220,750</b>	<b>\$ 219,773</b>	<b>\$ 221,316</b>	<b>\$ 219,081</b>	<b>\$ 905,170</b>	<b>\$ 835,781</b>
<b>Revenue Available for Bancroft Bonds</b>	<b>\$ 9,018,476</b>	<b>\$ 7,511,973</b>	<b>\$ 8,090,597</b>	<b>\$ 5,945,658</b>	<b>\$ 5,713,595</b>	<b>\$ 7,472,872</b>	<b>\$ 5,560,128</b>	<b>\$ 8,035,042</b>	<b>\$ 6,754,713</b>	<b>\$ 9,350,976</b>
<b>Bancroft Bond Debt Service</b>										
Bancroft Improvement Bonds (1988)	\$ 24,352	\$ 24,352	\$ 332,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bancroft Improvement Bonds (1986)	-	-	-	-	-	-	-	-	-	-
<b>Total Bancroft Bond Debt Service</b>	<b>\$ 24,352</b>	<b>\$ 24,352</b>	<b>\$ 332,601</b>	<b>\$ -</b>						
<b>Revenues Available for Other Purposes:</b>	<b>\$ 8,994,124</b>	<b>\$ 7,487,621</b>	<b>\$ 7,757,996</b>	<b>\$ 5,945,658</b>	<b>\$ 5,713,595</b>	<b>\$ 7,472,872</b>	<b>\$ 5,560,128</b>	<b>\$ 8,035,042</b>	<b>\$ 6,754,713</b>	<b>\$ 9,350,976</b>

In fiscal year 2013-14, this chart has been revised for prior year data.

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 <sup>3</sup>	Personal Income <sup>1, 2</sup>	Per Capita Personal Income <sup>1, 2</sup>	Unemployment Rate (PMSA)
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	4,430,433,644	48,286	7.8
2013	93,919	4,644,576,307	49,453	7.2
2014	95,126	N/A	N/A	6.0
2015	96,619	N/A	N/A	5.4

N/A: Not available

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

<sup>1</sup> 2013 Personal Income and Per Capita Personal Income statistics revised November 2014.

<sup>2</sup> Figures are for calendar year; Personal Income and Per Capita Personal Income for 2014 and 2015 are not available (N/A).

<sup>3</sup> 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 <sup>(1)</sup>  
Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total (2)	Employees	Rank	Percentage of Total (2)
Intel Corp.	17,500	1	.02 %	15,000	1	.01 %
U.S. Federal Govt.	17,500	1	.02			
Providence Health System	15,239	3	.01	14,007	2	.01
Oregon Health & Sciences University	14,616	4	.01	11,400	4	.01
State of Oregon	14,200	5	.01	6,700	9	.01
Kaiser Foundation Health Plan of the Northwest	11,881	6	.01	7,797	8	.01
Legacy Health System	10,436	7	.01	7,900	7	.01
Fred Meyer Stores	10,237	8	.01	9,663	5	.01
City of Portland	8,558	9	.01	8,000	6	.01
Nike Inc.				6,100	10	.01
Safeway, Inc., Portland Division				13,453	3	.01
Total	<u>120,167</u>		<u>0.11 %</u>	<u>100,020</u>		<u>0.10 %</u>

Sources:

(1) Statistics are the latest available data published in the Portland Business Journal *Book of Lists 2015* and *Book of Lists 2006*. 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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business & Financial Services	17	17	16	18	16	20	20	26	41	36
Asset and Capacity Management	24	24	29	30	29	28	25	20	6	7
Water Quality Services	32	29	29	28	28	25	27	25	26	28
Environmental Monitoring Services	11	15	15	15	15	13	15	9	9	10
<b>Total</b>	<b>84</b>	<b>85</b>	<b>89</b>	<b>91</b>	<b>88</b>	<b>86</b>	<b>87</b>	<b>80</b>	<b>82</b>	<b>81</b>

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. When possible, employees 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Sanitary Sewer										
Monthly service charge	\$ 22.00	\$ 23.00	\$ 26.00	\$ 29.50	\$ 34.85	\$ 38.00	\$ 38.00	\$ 39.25	\$ 40.00	\$ 42.00
Total amount collected	\$ 9,909,492	\$ 10,629,278	\$ 12,086,648	\$ 13,704,367	\$ 17,014,496	\$ 18,515,670	\$ 19,048,428	\$ 20,481,448	\$ 21,411,159	\$ 23,121,038
Percentage increase	3.4%	7.3%	13.7%	13.4%	24.2%	8.8%	2.9%	7.5%	4.5%	8.0%
Connection fees/EDU	\$ 2,200	\$ 2,200	\$ 2,200	\$ 5,200	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600
Total amount collected	\$ 3,965,201	\$ 2,234,723	\$ 1,480,603	\$ 1,124,632	\$ 1,321,731	\$ 4,203,164	\$ 3,195,521	\$ 3,172,202	\$ 3,371,312	\$ 2,966,012
Percentage increase/(decrease)	45.1%	-43.6%	-33.7%	-24.0%	17.5%	218.0%	-24.0%	-0.7%	6.3%	-12.0%
Kellogg Hydraulic treatment capacity										
Current flows	10,129	10,129	10,129	10,129	10,129	10,129	10,129	10,129	10,129	10,129
(in million gallons/day)	8,724	8,670	8,730	7,876	7,895	8,860	8,610	7,930	6,680	5,880
Surface Water Management										
Monthly service charge	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.35	\$ 6.35
Total amount collected	\$ 3,307,980	\$ 3,388,701	\$ 3,468,822	\$ 3,539,677	\$ 3,653,773	\$ 3,672,657	\$ 3,762,506	\$ 3,920,411	\$ 4,068,951	\$ 4,108,317
Percentage increase	3.4%	2.4%	2.4%	2.0%	3.2%	0.5%	2.4%	4.2%	3.8%	1.0%
Connection fees/EDU	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205
Total amount collected	\$ 252,792	\$ 193,877	\$ 137,965	\$ 108,240	\$ 132,690	\$ 53,300	\$ 100,245	\$ 95,013	\$ 110,064	\$ 92,045
Percentage increase/(decrease)	4.2%	-23.3%	-28.8%	-21.5%	22.6%	-59.8%	88.1%	-5.2%	15.8%	-16.4%

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type Activities:										
Sanitary Sewer										
Treatment Plants	3	3	3	3	3	3	3	3	3	3
Sand Filters	1	1	1	1	1	1	1	1	1	1
Pump Stations	12	12	16	16	16	16	16	17	17	17
Miles of Pipe	247	266	273	282	282	282	292	312	320	322
Surface Water										
Catch Basins / Manholes	8,000	8,049	14,901	15,222	15,628	15,628	15,628	17,669	17,765	17,846
Continuous Monitoring Stations	5	5	5	5	5	5	5	5	5	5

In Fiscal Year 2013-14, this chart has been revised for prior years' miles of pipe data.

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# Compliance Reports



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**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, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2015.

**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.

**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 (continued)**

**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*.

**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  
November 19, 2015

## 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, 2015, and have issued our report thereon dated November 19, 2015. 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 MINIMUM 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  
November 19, 2015



