

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal years ended June 30, 2016 and 2015

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)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal years ended June 30, 2016 and 2015

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



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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, 2016

<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

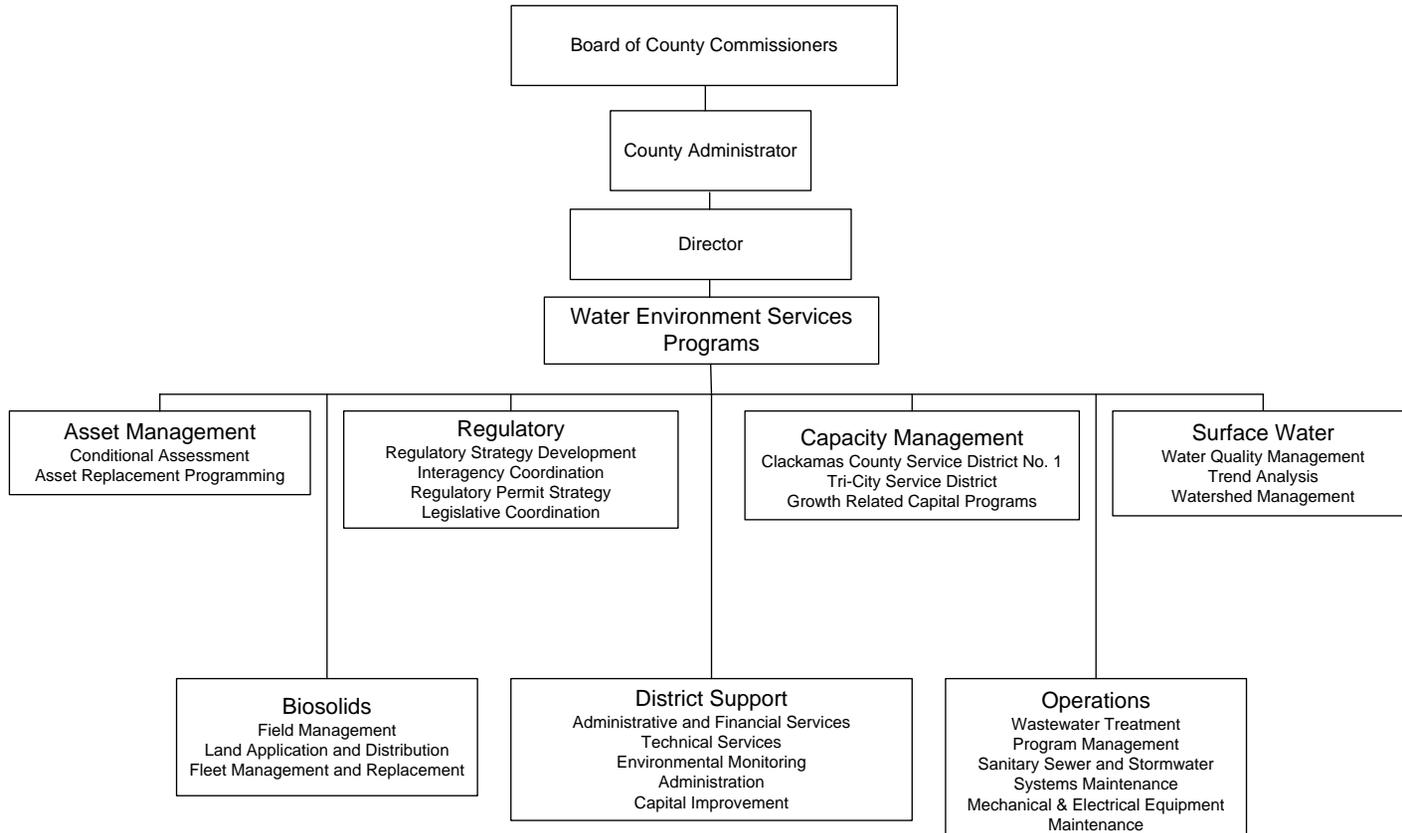
DISTRICT ADMINISTRATOR

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
2015/2016



==:



November 17, 2016

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, 2016, 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, 2016, 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 Fiscal Year (FY) 2015-16, 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 at a faster pace during the next several years. In August of 2016, ECONorthwest created an update for the District's population projections. Growth projections within the District for the next five years are projected to be 2.0% on an annual average.

In the short term, the District is seeing growth approximately equal to the projected growth rate from the population forecast updated for the District in 2016. These forecasts are being 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 2011 and 2012 CCSD No. 1 finished expansion of a significant portion of the Tri-City Water Resource Recovery Facility (TCWRRF) to add capacity, which will serve the needs of both the District and CCSD No. 1 for the next several years. Most of these additions are CCSD No. 1 assets situated at the TCWRRF in accordance with an Intergovernmental Agreement (IGA) between the District and CCSD No.1. Additional expansion to address solids limitations at the Tri-City facility is under design and is anticipated to be completed by 2020.

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 2016, 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, 2016 therefore no liability has been recorded. Please refer to Note 13 on pages 37-38 in the Notes to Basic Financial Statements for additional information.

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

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.

GFOA Certificate of Achievement for Excellence in Financial Reporting

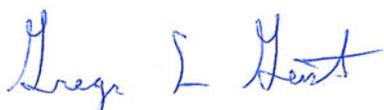
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Component Unit Financial Report for the year ended June 30, 2015. In order to be awarded a Certificate of Achievement, 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, 2016, 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,



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, 2015

Executive Director/CEO

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Financial Section



REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
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, 2016 and 2015, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2016, and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 opinions 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 39 to 49 (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 opinions 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 17, 2016 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 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 17, 2016, 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.

A handwritten signature in black ink that reads "James C. Lanzarotta".

James C. Lanzarotta, Partner
for Moss Adams LLP
Eugene, Oregon
November 17, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

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, 2016. 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 \$152,365. Of this amount, \$38,528 (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 \$254,287 from \$257,345 in 2015 and were at \$264,788 in 2014. The change from 2015 included an increase in current pooled cash and investments of \$5,275, an increase in accounts receivable of \$372, an increase in restricted pooled cash and investments of \$5,853, an increase in land, easements and construction in progress of \$417, a decrease in net plant and equipment of \$14,089, and a decrease in the noncurrent portion of unbonded assessments receivable of \$784.
- Total liabilities decreased \$4,158 in 2016, following a decrease of \$5,509 in 2015. The decrease in 2016 was primarily the result of a decrease in long term debt, net of current portion, payable from restricted assets.
- Total net position increased \$1,100 primarily due to a \$5,585 increase in the portion restricted for capital projects and an increase of \$5,220 in the unrestricted portion. These were offset by a \$9,992 decrease in net investment in capital assets. Total operating revenues increased by \$1,645 over 2015 and total operating expenses increased by \$1,204. The cost of contracted salaries and benefits increased by \$708, repairs and maintenance increased by \$290, and supplies decreased by \$328. These combined changes resulted in a decrease in the operating loss to \$441. This compares with a \$1,969 increase in operating revenues and a \$959 decrease in operating expenses in 2015 over 2014.
- In 2016 nonoperating revenue (expense) increased \$89 primarily due to a decrease in interest income.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2016

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 38 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, 2016

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 \$5,749. Pooled cash and investments increased by \$5,275. Accounts receivable increased by \$372.

The following table offers a comparison of assets, liabilities, and net position at June 30, 2016, 2015, and 2014:

Net Position			
(Thousands of Dollars)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Current assets	\$ 35,351	\$ 29,602	\$ 27,555
Other assets, net	5,748	6,736	7,894
Pooled cash & investments-restricted	29,470	23,617	19,957
Capital assets, net	<u>183,718</u>	<u>197,390</u>	<u>209,352</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>30</u>
Total assets and deferred outflows of resources	<u>254,287</u>	<u>257,345</u>	<u>264,788</u>
Liabilities:			
Current liabilities	6,338	6,682	8,481
Noncurrent liabilities	<u>95,584</u>	<u>99,398</u>	<u>103,108</u>
Total liabilities	<u>101,922</u>	<u>106,080</u>	<u>111,589</u>
Net investment in capital assets	92,126	102,118	109,321
Restricted	21,711	15,839	12,162
Unrestricted	<u>38,528</u>	<u>33,308</u>	<u>31,716</u>
Total net position, end of period	<u>\$ 152,365</u>	<u>\$ 151,265</u>	<u>\$ 153,199</u>

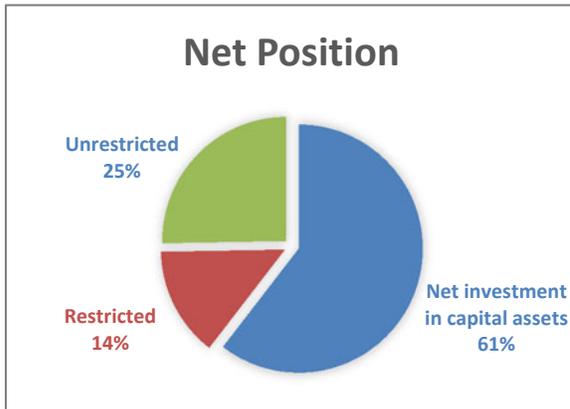
CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2016

Financial Analysis (Continued)

Net position increased by \$1,100. Restricted pooled cash and investments increased by \$5,853 and pooled cash and investments increased by \$5,275. Capital assets decreased \$13,672. Long-term debt, net of current portion, payable from restricted assets decreased by \$3,333. Noncurrent unbonded assessments receivable decreased \$784. The North Clackamas Revitalization Area (NCRA), a large assessment district, was completed in 2013. Some property owners within the NCRA have paid their entire assessment during 2014, 2015, and 2016.



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, revenue bonds and system development charges. Unrestricted net position account for 25% of net position. These amounts have no external restriction concerning their use or function.

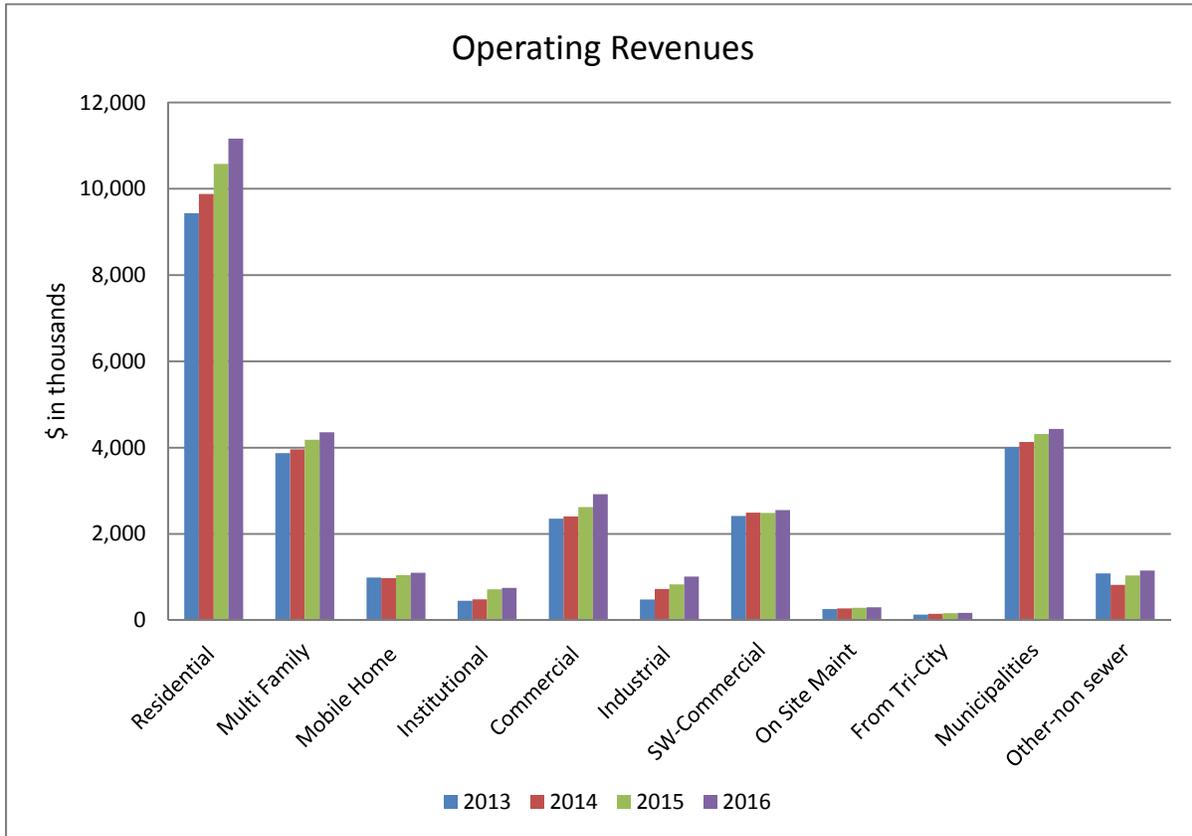
Total operating revenues increased \$1,645 in 2016 to \$29,913. Operating revenues in 2015 and 2014 were \$28,268 and \$26,299, respectively. Revenue from residential and commercial accounts increased 6.2%. Sewer rates increased from \$42.00 per Equivalent Dwelling Unit (EDU) to \$43.50 per EDU, or 3.6%. Surface water rates increased from \$6.35 per ESU to \$6.50 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 2.7%. 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, 2016

Financial Analysis (Continued)



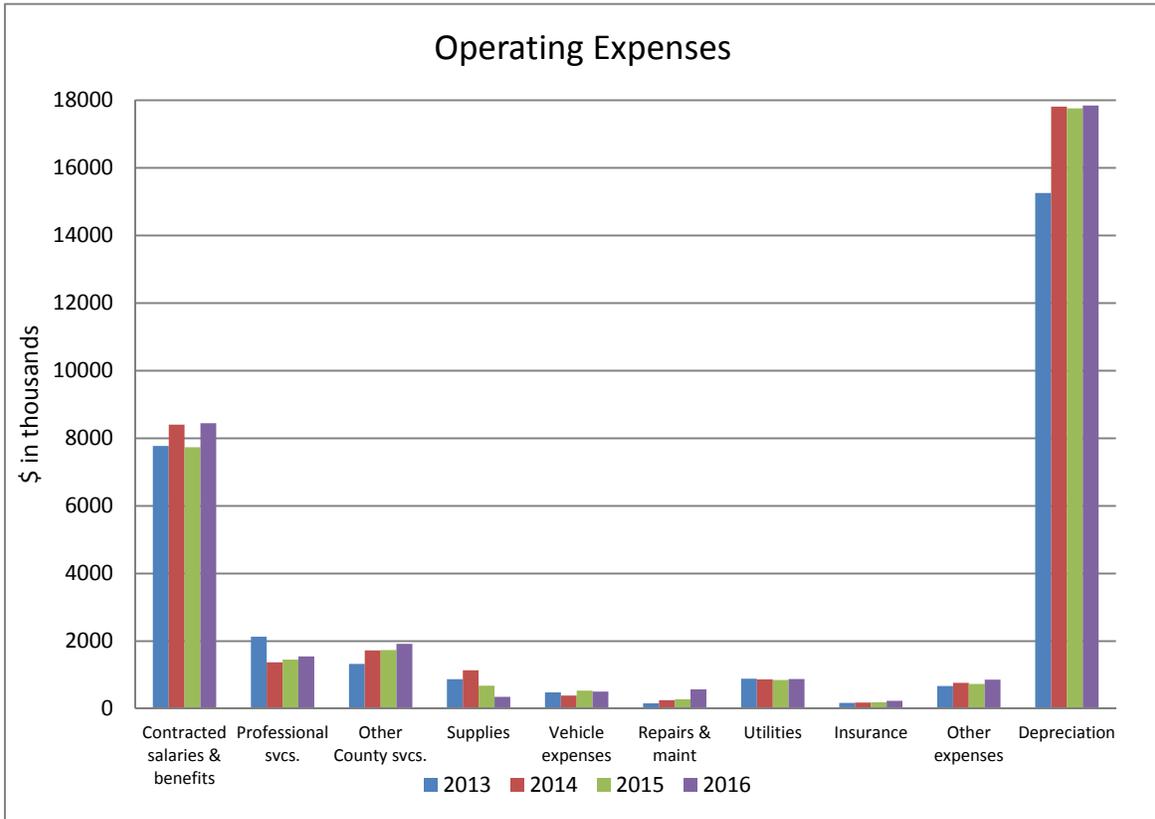
Operating expenses increased \$1,204 or 3.8% in 2016. In 2015 operating expenses decreased \$959 or 2.9% over 2014. Contracted salaries and benefits increased \$708 or 9.2%, due primarily to the filling of vacant positions. Other county services increased by \$185 due to additional staffing support from the County. Supplies, which include court related costs, decreased \$328. Depreciation and amortization increased \$85 in 2016 due to the completion of capital projects last 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, 2016

Financial Analysis (Continued)



In nonoperating revenue (expense) accounts, total nonoperating expense increased by \$89. Interest income decreased by \$118. Interest expense decreased by \$145 due to lower outstanding debt.

Connection charges increased \$3,238 due to an increase in connections. Much of the increase is due to a recovery in new home construction in the District. Capital contributions decreased by \$556.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2016

Financial Analysis (Continued)

The following table offers a comparison of revenues, expenses and changes in net position for the years ended June 30, 2016, 2015, and 2014:

Changes in Net Position			
(Thousands of Dollars)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues:			
Sewerage charges			
Residential and commercial	\$ 24,326	\$ 22,913	\$ 21,350
Municipalities and other	4,435	4,317	4,130
Other operating revenues	<u>1,152</u>	<u>1,038</u>	<u>819</u>
Total operating revenues	<u>29,913</u>	<u>28,268</u>	<u>26,299</u>
Operating expenses:			
Contracted salaries and benefits	8,444	7,736	8,404
Materials and services	<u>24,704</u>	<u>24,208</u>	<u>24,499</u>
Total operating expenses	<u>33,148</u>	<u>31,944</u>	<u>32,903</u>
Operating loss	<u>(3,235)</u>	<u>(3,676)</u>	<u>(6,604)</u>
Nonoperating revenue (expense):			
Interest income	583	701	610
Interest expense	(4,034)	(4,179)	(4,683)
Other	<u>(70)</u>	<u>46</u>	<u>(110)</u>
Total nonoperating expense	<u>(3,521)</u>	<u>(3,432)</u>	<u>(4,183)</u>
Loss before contributions	<u>(6,756)</u>	<u>(7,108)</u>	<u>(10,787)</u>
Contributions	<u>7,856</u>	<u>5,174</u>	<u>5,609</u>
Change in net position	1,100	(1,934)	(5,178)
Net position - beginning of year	<u>151,265</u>	<u>153,199</u>	<u>158,377</u>
Net position - end of year	<u>\$ 152,365</u>	<u>\$ 151,265</u>	<u>\$ 153,199</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, 2016

Capital Asset and Debt Analysis

The District's capital assets decreased \$13,672 or 7.3% and are detailed in Note 4. Plant and equipment decreased \$14,089 due to the depreciation of existing assets. Land and construction in progress increased \$417.

Noncurrent liabilities decreased by \$3,814 as shown in Notes 6 and 7. Long term debt fell by \$3,333. No new debt was issued, so the reduction is due to principal payments on debt issues. Noncurrent liabilities decreased from \$103,108 in 2014 to \$99,398 in 2015.

At June 30, 2016, 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 and upgraded the AA rating to AA+ in August 2016.

Readers interested in more detailed information are referred to Notes 6 and 7 of the Notes to Basic Financial Statements beginning on page 18.

Rates and Charges

The District directly serves an estimated population of 98,492 residents, as well as varied industrial, wholesale (cities) and commercial customers. In August of 2016, ECONorthwest created an update for the District's population projections. Growth projections within the District for the next five years are projected to be 2.0% on an annual average. Growth continued in 2016 with 872 new single family equivalent units of service connected.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2016

Rates and Charges (Continued)

The construction of new subdivisions in the City of Happy Valley along with hookups in the NCRA area are driving much of this growth.

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, was increased to \$6,950 effective July 1, 2015, and was increased again to \$7,140 effective July 1, 2016. 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 \$4,940 balance of the District SDC.

The monthly retail rate for residential sewer service in all sewer service areas increased from \$42.00 to \$43.50 per EDU for fiscal year 2015-16. The monthly fee of \$6.35 per equivalent service unit, currently in place to provide for the operations and maintenance associated with the District's surface water management responsibilities, increased to \$6.50. 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 2015-16. The number of connections increased from 461 in 2015 to 872 in 2016.

The operations and maintenance budget for 2017 represents a 0.2% decrease over the budget for fiscal year 2016. The decrease is due to the transfer of the Soils group to the County's Department of Transportation and Development as well as reduced Engineering in the sanitary sewer portion of the budget. Overall, the sanitary sewer portion decreased by 1.2% over the 2016 Budget while the smaller Surface Water portion increased by 2.8%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year Ended June 30, 2016

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 2.8%. The District budgeted a total of \$13,926 in sanitary sewer and surface water capital improvements in fiscal year 2016-17.

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 2016, 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, 2016 therefore no liability has been recorded.

On November 3, 2016, the District entered into an ORS 190 Partnership Agreement with TCSD to jointly own, operate, and manage the functions and assets of the two districts to provide reduced costs and improved service. Additional information on this agreement is provided in Note 14, Subsequent Events.

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.

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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, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Pooled cash and investments	\$ 30,138,808	\$ 24,864,154
Unbonded assessments receivable, net	263,720	304,360
Accrued interest receivable on assessments, net	66,240	63,030
Accounts receivable	4,357,870	3,985,782
Interest receivable	303,393	314,170
Prepaid expenses	221,087	70,617
Total current assets	35,351,118	29,602,113
Noncurrent assets:		
Pooled cash and investments - restricted	29,469,589	23,617,330
Capital assets:		
Land, easements and construction in progress	9,461,356	9,044,388
Plant and equipment, net	174,256,804	188,345,691
Connection charges receivable, noncurrent portion	72,422	69,366
Bonded assessments receivable, net	154,059	165,001
Contracts receivable	1,140,905	1,336,577
Unbonded assessments receivable, noncurrent portion	4,380,671	5,164,832
Total noncurrent assets	218,935,806	227,743,185
TOTAL ASSETS	254,286,924	257,345,298
LIABILITIES		
Current Liabilities:		
Accounts payable	897,800	1,350,398
Contract labor payable	696,634	590,290
Other liabilities	94,545	56,211
Unearned income	69,100	69,100
Due to other Service Districts	173,181	173,181
Due to Clackamas County	246,472	376,691
Accrued interest payable, payable from restricted assets	376,027	385,602
Loan payable, current portion	411,633	403,346
Current portion of long term debt, payable from restricted assets	3,372,120	3,277,120
Total current liabilities	6,337,512	6,681,939
Noncurrent liabilities:		
Long term unearned income, net of current portion	229,900	299,000
Long term contracts, net of current portion, payable from current assets	7,631,396	8,043,029
Long term debt, net of current portion, payable from restricted assets	87,722,681	91,055,779
Total noncurrent liabilities	95,583,977	99,397,808
TOTAL LIABILITIES	101,921,489	106,079,747
NET POSITION		
Net investment in capital assets	92,126,286	102,118,135
Restricted for capital projects	16,856,295	11,270,770
Restricted for debt service	4,854,991	4,568,612
Unrestricted	38,527,863	33,308,034
TOTAL NET POSITION	\$ 152,365,435	\$ 151,265,551

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, 2016 and 2015

	2016	2015
Operating revenues:		
Sewerage charges		
Residential and commercial	\$ 24,325,651	\$ 22,912,937
Municipalities and other	4,435,104	4,316,418
Other operating revenues	1,151,697	1,038,252
Total operating revenues	29,912,452	28,267,607
Operating expenses:		
Contracted salaries and benefits	8,443,783	7,735,723
Professional services	1,117,850	1,088,194
Laboratory services	426,040	364,970
Other County services	1,919,327	1,734,376
Supplies	350,010	678,497
Vehicle expenses	507,847	532,190
Repairs and maintenance	569,915	280,338
Utilities	878,157	849,276
Insurance	232,237	192,309
Other expense	859,338	730,318
Depreciation and amortization	17,843,322	17,757,833
Total operating expenses	33,147,826	31,944,024
Operating loss	(3,235,374)	(3,676,417)
Nonoperating revenue (expense):		
Interest income	582,605	700,846
Interest expense	(4,034,300)	(4,179,282)
Dispatchable power	69,100	69,100
Loss on disposal of capital assets	(139,016)	(22,039)
Total nonoperating expense	(3,521,611)	(3,431,375)
Loss before contributions	(6,756,985)	(7,107,792)
Contributions:		
Connection charges	6,582,029	3,343,541
Capital contributions	1,274,840	1,830,560
Total contributions	7,856,869	5,174,101
Change in net position	1,099,884	(1,933,691)
Net position - beginning of year	151,265,551	153,199,242
Net position - end of year	\$ 152,365,435	\$ 151,265,551

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 28,644,301	\$ 27,068,860
Paid to suppliers for goods and services	(5,506,127)	(5,388,280)
Paid to related entities for services	(10,504,687)	(9,456,481)
Other operating revenue	1,056,414	1,019,996
NET CASH FROM OPERATING ACTIVITIES	13,689,901	13,244,095
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond principal paid	(3,240,000)	(4,145,000)
Interest paid on bonds and contracts	(4,041,974)	(4,165,701)
Assessment and contract principal collected	828,920	999,275
Interest received on assessments and contracts	(81,905)	(93,185)
Capital contributed by customers/governments	7,034,463	3,897,197
Payments made on note payable	(403,346)	(606,547)
Acquisition of capital assets, net of dispositions	(3,252,528)	(4,374,192)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(3,156,370)	(8,488,153)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	593,382	674,249
NET CASH FROM INVESTING ACTIVITIES	593,382	674,249
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,126,913	5,430,191
POOLED CASH AND INVESTMENTS, BEGINNING OF YEAR	48,481,484	43,051,293
POOLED CASH AND INVESTMENTS, END OF YEAR ⁽¹⁾	\$ 59,608,397	\$ 48,481,484
⁽¹⁾ Pooled cash and investments are reflected on the Statement of Net Position as follows:		
Current assets - unrestricted	\$ 30,138,808	\$ 24,864,154
Noncurrent assets - restricted	29,469,589	23,617,330
	\$ 59,608,397	\$ 48,481,484

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, 2016 and 2015

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Loss	\$ (3,235,374)	\$ (3,676,417)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	17,843,322	17,757,833
Changes in assets and liabilities:		
Other receivables	(329,438)	(195,103)
Prepaid expenses	(150,470)	30,216
Accounts payable and Due to Clackamas County	(582,817)	(389,972)
Contract labor payable	106,344	71,980
Other liabilities	38,334	(354,442)
Total adjustments	16,925,275	16,920,512
 NET CASH FROM OPERATING ACTIVITIES	 \$ 13,689,901	 \$ 13,244,095
 NONCASH CAPITAL ACTIVITY		
Contributions of capital assets from governments, developers and customers	\$ 876,251	\$ 1,248,335

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, 2016 and 2015

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, 2016.

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, 2016 and 2015

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 (GASB) No. 3, No. 31, No. 40, and No. 72 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, 2016. 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, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessments Receivable (Continued)

The balance of the allowance at June 30, 2016 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. The District periodically reevaluates the estimated useful lives of these assets.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

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 \$4,034,300 in 2016 and \$4,179,282 in 2015. Interest in the amount of \$36,003 and \$45,910 was capitalized for 2016 and 2015, respectively.

Bonds

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

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 \$16,856,295 is restricted due to enabling legislation. This balance relates to unspent System Development Charges. Unrestricted consists of all other assets not included in the above categories.

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted fund balance in the District's fund financial statements, a flow assumption must be made about

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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.

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 2015 financial statements have been reclassified to conform to the 2016 presentation.

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2016, the District implemented the following GASB pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*, Issued February 2015, this statement establishes a framework for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. See Note 2 for additional information.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, Issued June 2015, this statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This new standard is intended to improve the usefulness of financial statement information for making decisions and enhance the comparability of financial statement information among governments.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Adoption of GASB Pronouncements

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2016:

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

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. 77, Tax Abatement Disclosures, Issued August 2015

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, Issued December 2015

GASB Statement No. 79, Certain External Investment Pools and Pool Participants, Issued December 2015

GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, Issued January 2016

GASB Statement No. 81, Irrevocable Split-Interest Agreements, Issued March 2016

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73, Issued March 2016

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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

2. POOLED CASH AND INVESTMENTS

Pooled cash and investments are comprised of the following:

	2016	2015
Petty Cash	\$ 1,500	\$ 1,500
Pooled cash and investments	59,606,897	48,479,984
	\$ 59,608,397	\$ 48,481,484

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

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

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

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

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

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

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

2. POOLED CASH AND INVESTMENTS, (Continued)

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, bank repurchase agreements and bankers' acceptances, among others. Reference should be made to the June 30, 2016 Comprehensive Annual Financial Report of Clackamas County for compliance with these statutes.

Investments in the LGIP are stated at fair value, which approximates cost. The Oregon State Treasury administers the LGIP. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who 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 U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. The Oregon Short-Term Fund financial statements and its portfolio rules can be obtained at www.ost.state.or.us. The LGIP is not rated by any national rating service. The LGIP is stated at fair value, which approximates cost. Fair value is the same as the District's value in the pool shares.

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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

2. POOLED CASH AND INVESTMENTS, (Continued)

Credit Risk

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

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

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

Oregon Revised Statutes limit the types of investments that the District may have. The District is in compliance with these statutes at June 30, 2016. The District is also in compliance with the County’s investment policy, which requires the County to limit exposure to credit risk, concentrating its investments in the safest types of securities, diversifying the investment portfolio so that potential losses on individual securities will be minimized, actively monitoring the investment portfolio holdings for ratings changes, changing economic or market conditions, and pre-qualifying the financial institutions with which the County will do business.

3. ACCOUNTS RECEIVABLE

	2016	2015
Current connection charges receivable, including interest of \$6,824 and \$5,778 at June 30, 2016 and 2015, respectively	\$ 78,296	\$ 60,497
Sewerage user charges	3,183,350	3,066,897
Interest receivable on unbonded assessments	686,201	607,506
Grant receivable	17,791	71,635
Clackamas County	136,217	18,515
Miscellaneous	256,015	160,732
	\$ 4,357,870	\$ 3,985,782

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Transfers	Deletions	Balance June 30, 2016
Capital assets not being depreciated:					
Land and easements	\$ 5,261,908	\$ -	\$ -	\$ -	\$ 5,261,908
Construction in progress	3,782,480	3,460,469	(2,878,184)	(165,317)	4,199,448
Total capital assets not being depreciated	<u>9,044,388</u>	<u>3,460,469</u>	<u>(2,878,184)</u>	<u>(165,317)</u>	<u>9,461,356</u>
Capital assets being depreciated and amortized:					
Intangibles	802,162	-	-	-	802,162
Sew erage treatment plant	187,380,388	412,294	2,215,571	(64,498)	189,943,755
Sew erage treatment line system	129,785,005	463,957	210,067	-	130,459,029
Equipment	10,265,323	-	452,546	(203,504)	10,514,365
Total capital assets being depreciated and amortized	<u>328,232,878</u>	<u>876,251</u>	<u>2,878,184</u>	<u>(268,002)</u>	<u>331,719,311</u>
Less accumulated depreciation and amortization for:					
Intangibles	(802,162)	-	-	-	(802,162)
Sew erage treatment plant	(87,976,813)	(13,606,854)	-	64,498	(101,519,169)
Sew erage treatment line system	(43,044,034)	(3,867,542)	-	-	(46,911,576)
Equipment	(8,064,178)	(368,926)	-	203,504	(8,229,600)
Total accumulated depreciation and amortization	<u>(139,887,187)</u>	<u>(17,843,322)</u>	<u>-</u>	<u>268,002</u>	<u>(157,462,507)</u>
Total capital assets being depreciated & amortized, net	<u>188,345,691</u>	<u>(16,967,071)</u>	<u>2,878,184</u>	<u>-</u>	<u>174,256,804</u>
Total capital assets, net	<u>\$ 197,390,079</u>	<u>\$ (13,506,602)</u>	<u>\$ -</u>	<u>\$ (165,317)</u>	<u>\$ 183,718,160</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

4. CAPITAL ASSETS (Continued)

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

	<u>Balance</u>				<u>Balance</u>
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>June 30, 2015</u>
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	<u>7,627,428</u>	<u>4,584,556</u>	<u>(3,130,368)</u>	<u>(37,228)</u>	<u>9,044,388</u>
Capital assets being depreciated and amortized:					
Intangibles	802,162	-	-	-	802,162
Sew erage treatment plant	184,304,460	476,498	2,599,430	-	187,380,388
Sew erage 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	<u>324,027,262</u>	<u>1,248,335</u>	<u>3,130,368</u>	<u>(173,087)</u>	<u>328,232,878</u>
Less accumulated depreciation and amortization for:					
Intangibles	(802,162)	-	-	-	(802,162)
Sew erage treatment plant	(74,459,197)	(13,517,616)	-	-	(87,976,813)
Sew erage 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	<u>(122,302,441)</u>	<u>(17,757,833)</u>	<u>-</u>	<u>173,087</u>	<u>(139,887,187)</u>
Total capital assets being depreciated & amortized, net	<u>201,724,821</u>	<u>(16,509,498)</u>	<u>3,130,368</u>	<u>-</u>	<u>188,345,691</u>
Total capital assets, net	<u>\$ 209,352,249</u>	<u>\$ (11,924,942)</u>	<u>\$ -</u>	<u>\$ (37,228)</u>	<u>\$ 197,390,079</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

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. The balance of the note was \$1,037,788, plus accrued interest in the amount of \$227,451 and \$1,219,427, plus accrued interest in the amount of \$231,347 in 2016 and 2015, respectively.

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. The general terms of the loan forgiveness require timely payments and District solvency. 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, 2016 and 2015

6. LOANS PAYABLE (Continued)

These loans are collateralized by future sewer revenues and contain certain financial covenants. As of June 30, 2016 and 2015, Management believes the District was in compliance with these covenants.

Changes in loans payable for the year ended June 30, 2016 are as follows:

	Interest Rates	Outstanding July 1, 2015	Increases	Decreases	Outstanding June 30, 2016	Current Portion
Revolving Loan R06224	0.00%	\$ 1,858,655	\$ -	\$ (106,208)	\$ 1,752,447	\$ 106,208
Revolving Loan R22403	2.77%	6,587,720	-	(297,138)	6,290,582	305,425
		<u>\$ 8,446,375</u>	<u>\$ -</u>	<u>\$ (403,346)</u>	<u>\$ 8,043,029</u>	<u>\$ 411,633</u>

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>

Future maturities of revolving loans are as follows:

Fiscal Year	Principal	Interest	Admin. Fees	Total
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	447,161	136,621	30,611	614,393
2022-2026	2,383,871	535,039	118,173	3,037,083
2027-2031	2,657,087	261,763	55,302	2,974,152
2032-2033	856,306	19,395	2,870	878,571
	<u>\$ 8,043,029</u>	<u>\$ 1,589,342</u>	<u>\$ 351,073</u>	<u>\$ 9,983,444</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

7. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, are as follows:

	Interest Rates	Outstanding July 1, 2015	Increases	Decreases	Outstanding June 30, 2016	Current Portion
Revenue Bonds - 2002A	3.000% - 4.875%	\$ 1,115,000	\$ -	\$ (135,000)	\$ 980,000	\$ 140,000
Revenue Obligations - 2009A	2.000% - 4.700%	33,215,000	-	(1,070,000)	32,145,000	1,110,000
Revenue Obligations - 2009B	2.250% - 5.000%	38,545,000	-	(1,270,000)	37,275,000	1,315,000
Revenue Obligations - 2010	2.000% - 4.625%	21,480,000	-	(765,000)	20,715,000	770,000
		<u>\$ 94,355,000</u>	<u>\$ -</u>	<u>\$ (3,240,000)</u>	<u>\$ 91,115,000</u>	<u>\$ 3,335,000</u>

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>

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

	2016	2015
Current maturities - face value	\$ 3,335,000	\$ 3,240,000
Premium	37,120	37,120
	<u>\$ 3,372,120</u>	<u>\$ 3,277,120</u>
Future maturities - face value	\$ 87,780,000	\$ 91,115,000
Premium	662,213	699,333
Discount	(719,532)	(758,554)
	<u>\$ 87,722,681</u>	<u>\$ 91,055,779</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

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, 2016 are as follows:

Fiscal Year	Principal	Interest
2017	\$ 140,000	\$ 43,400
2018	140,000	36,995
2019	140,000	30,485
2020	140,000	23,835
2021	140,000	17,063
2022-2023	280,000	13,650
	\$ 980,000	\$ 165,428

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, 2016 and 2015.

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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

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, 2016 are as follows:

Fiscal Year	Principal	Interest
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	1,330,000	1,184,468
2022-2026	7,815,000	5,050,118
2027-2031	10,370,000	3,079,579
2032-2034	7,880,000	561,243
	<u>\$ 32,145,000</u>	<u>\$ 15,021,555</u>

Maturities of 2009B bond principal at June 30, 2016 are as follows:

Fiscal Year	Principal	Interest
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	1,530,000	1,296,725
2022-2026	8,685,000	5,491,725
2027-2031	10,830,000	3,538,588
2032-2034	10,670,000	985,775
	<u>\$ 37,275,000</u>	<u>\$ 17,077,313</u>

Maturities of 2010 bond principal at June 30, 2016 are as follows:

Fiscal Year	Principal	Interest
2017	\$ 770,000	\$ 850,869
2018	790,000	827,469
2019	805,000	799,519
2020	820,000	767,019
2021	840,000	733,819
2022-2026	4,855,000	3,122,194
2027-2031	5,460,000	2,052,850
2032-2036	6,375,000	785,384
	<u>\$ 20,715,000</u>	<u>\$ 9,939,123</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

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, 2016 and 2015.

At June 30, 2016, 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, 2016 Revenue	For the Year Ended June 30, 2016 Debt (P&I) Payments
State Loan R06224	Sewer Assessments	2033	\$ 1,752,447	\$ 21,772,581 *	\$ 106,208
State Loan R22403	Sewer Assessments	2033	6,290,582	-	509,775
Revenue Bonds 2002A	Sewer Fees	2023	980,000	-	184,589
Revenue Obligations 2009A	Sewer Fees	2034	32,145,000	-	2,442,643
Revenue Obligations 2009B	Sewer Fees	2035	37,275,000	-	2,834,013
Revenue Obligations 2010	Sewer Fees	2036	20,715,000	-	1,635,069
Total			<u>\$ 99,158,029</u>	<u>\$ 21,772,581</u>	<u>\$ 7,712,297</u>

* Same net revenue source pledged for multiple purposes.
Total Gross Revenues of \$37,077,085 less Total Operating Expenses of \$15,304,504.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

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 \$1,795,000 and \$1,580,000 in 2016 and 2015, respectively, to TCSD and SWMACC.

During fiscal years 2016 and 2015, 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 2016 and 2015, charged by the above departments, totaled approximately \$10,363,000 and \$9,470,000 respectively.

At June 30, related party balances consist of:

	Receivable		Payable	
	2016	2015	2016	2015
Clackamas County	\$ 1,401,456 *	\$ 1,469,290 *	\$ 246,473	\$ 376,691
Clackamas County - Contract labor payable	-	-	696,634	590,290
Subtotal	1,401,456	1,469,290	943,107	966,981
Tri-City Service District	-	-	173,181	173,181
Subtotal	-	-	173,181	173,181
Total	\$ 1,401,456	\$ 1,469,290	\$ 1,116,288	\$ 1,140,162

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

The related party payable to Tri-City Service District represents TCSD's share of equity in the 2012 sale of the Sunnybrook Building to Clackamas County. The payable is due upon the Note's full repayment or maturity date of December 31, 2022, whichever occurs first.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

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. Per the amendment, CCSD1's annual cost share is based on the District's estimated use of Tri-City's facilities, which is evaluated on an annual basis by management. In 2015-16, the cost-share amount was approximately \$861,000, or 20% of total plant operating and maintenance costs. In 2014-15, CCSD1's share was approximately \$792,000. The District and TCSD are co-managed with the goal of maintaining stable costs for both districts.

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 \$321,158 in 2015-16 and \$498,555 in 2014-15 for biosolids treatment services.

9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2016. All annual appropriations lapse at fiscal year end.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

10. COMMITMENTS

The District has commitments under contractual agreements for various multi-year contracts related to capital acquisition and service agreements. The total contract costs are approximately \$9,723,000. As of June 30, 2016, approximately \$5,029,000 of these contracts remain outstanding.

11. 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.

12. 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.

13. 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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2016 and 2015

13. POLLUTION REMEDIATION, (Continued)

In July 2016, 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, 2016 therefore no liability has been recorded.

14. SUBSEQUENT EVENTS

On August 16, 2016, the District refinanced 4 series of revenue bonds (Series 2009A, 2009B, 2010 bonds and Oregon Department of Environmental Quality Clean Water State Revolving Fund Loan R22403), totaling \$83,250,000, with an average coupon rate of 4.27%. The refinancing bonds have an all-in interest rate of 2.20%. Savings on a present value basis were \$9.7 million, or 10.40% of the refunding proceeds. The annual savings in debt service are approximately \$625,000. Further, the District was able to free up approximately \$7.6 million in reserves that can be used on projects.

The District entered into an ORS 190 Partnership Agreement with TCSD on November 3rd, 2016 (the "Agreement"). Pursuant to this Agreement, the two districts formed a new municipal entity called "Water Environment Services" ("WES") to jointly own, operate and manage the functions and assets of the two districts to provide reduced costs and improved service. The Agreement contemplates an 18 month transition period with a target effective date of July 1, 2018. The Agreement specifically allows for continued ownership of assets by the District so long as required by covenants under its outstanding bonds.

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Supplementary Information



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

Basis of Accounting

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

Fund Descriptions

Sanitary Sewer and Surface Water Funds

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

System Development Charge Funds

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

State Revolving Loan Debt Service Fund

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

Revenue Bond Fund

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

Construction Funds

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance with Final Budget	
REVENUES:				
Monthly service charges	\$ 19,194,917	\$ 20,079,224	\$ 884,307	\$ 18,645,221
Operation payments by cities	4,301,854	4,435,104	133,250	4,316,418
Assessments collected (including interest of \$43,917 in 2016 and \$48,742 in 2015)	30,000	43,917	13,917	48,742
Sewer hookup fees	5,000	6,950	1,950	-
Sewer hookup contract payment (including interest of \$2,032 in 2016 and \$1,875 in 2015)	-	16,813	16,813	10,350
Special connection charges	100,000	398,995	298,995	178,774
Interest on investments	30,137	103,847	73,710	96,482
Grants	244,300	-	(244,300)	-
Miscellaneous	827,600	964,485	136,885	1,056,975
Total revenues	<u>24,733,808</u>	<u>26,049,335</u>	<u>1,315,527</u>	<u>24,352,962</u>
EXPENDITURES:				
Materials and services	13,840,249	11,980,342	1,859,907	11,470,752
Contingency	2,306,708	-	2,306,708	-
Total expenditures	<u>16,146,957</u>	<u>11,980,342</u>	<u>4,166,615</u>	<u>11,470,752</u>
Revenues over (under) expenditures	<u>8,586,851</u>	<u>14,068,993</u>	<u>5,482,142</u>	<u>12,882,210</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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			
	Original and Final Budget	Actual	Variance with Final Budget	2015 Actual
OTHER FINANCING USES:				
Transfers to other funds:				
Revenue Bond Fund	(6,911,725)	(6,911,725)	-	(7,543,440)
State Revolving Loan Debt	-	-	-	(602,665)
Sanitary Sewer Construction	(7,000,000)	(7,000,000)	-	(1,500,000)
Total transfers to other funds	(13,911,725)	(13,911,725)	-	(9,646,105)
Net change in fund balance	(5,324,874)	157,268	5,482,142	3,236,105
Fund balance - beginning	6,027,385	6,327,838	300,453	3,091,733
Fund balance - ending	\$ 702,511	6,485,106	\$ 5,782,595	\$ 6,327,838
Adjustment to GAAP basis:				
Mortgage connection receivable		102,959		
Capital assets (net of accumulated depreciation)		166,460,317		
Prepaid expenses		15,984		
Bonds receivable		1,187,086		
Interest receivable		259,614		
Due to other entities		(391,641)		
Bond assessments receivable		653,875		
Contracts receivable		1,140,905		
Other long term liabilities		(229,900)		
Other		(64,100)		
Net position - GAAP basis		\$ 175,620,205		

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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
REVENUES:				
Connection Charges by cities	\$ -	\$ 77,010	\$ 77,010	\$ 90,720
Connection Charges	3,319,800	5,853,091	2,533,291	2,966,012
Interest on investments	50,061	49,571	(490)	46,641
Total revenues	<u>3,369,861</u>	<u>5,979,672</u>	<u>2,609,811</u>	<u>3,103,373</u>
EXPENDITURES:				
Capital outlay	2,379,000	618,685	1,760,315	393,879
Contingency	594,750	-	594,750	-
Total expenditures	<u>2,973,750</u>	<u>618,685</u>	<u>2,355,065</u>	<u>393,879</u>
Revenues over expenditures	<u>396,111</u>	<u>5,360,987</u>	<u>4,964,876</u>	<u>2,709,494</u>
Net change in fund balance	<u>396,111</u>	<u>5,360,987</u>	<u>4,964,876</u>	<u>2,709,494</u>
Fund balance - beginning	<u>10,012,136</u>	<u>9,853,964</u>	<u>(158,172)</u>	<u>7,144,470</u>
Fund balance - ending	<u>\$ 10,408,247</u>	15,214,951	<u>\$ 4,806,704</u>	<u>\$ 9,853,964</u>
Adjustment to GAAP basis:				
Interest receivable		<u>11,312</u>		
Net position - GAAP basis		<u>\$ 15,226,263</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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			
	Original And Final Budget	Actual	Variance with Final Budget	2015 Actual
REVENUES:				
Assessments collected	\$ 370,000	\$ 793,768	\$ 423,768	\$ 938,700
Interest on assessments	-	173,494	173,494	195,195
Interest on investments	19,849	14,994	(4,855)	17,980
Total revenues	389,849	982,256	592,407	1,151,875
EXPENDITURES:				
Principal	403,346	403,346	-	606,547
Interest	221,665	221,665	-	238,793
Total expenditures	625,011	625,011	-	845,340
Revenues over (under) expenditures	(235,162)	357,245	592,407	306,535
OTHER FINANCING SOURCES:				
Transfer from other funds:				
Sanitary Sewer Fund	-	-	-	602,665
Net change in fund balance	(235,162)	357,245	592,407	909,200
Fund balance - beginning	3,969,848	3,989,164	19,316	3,079,964
Fund balance - ending	\$ 3,734,686	4,346,409	\$ 611,723	\$ 3,989,164
Adjustment to GAAP basis:				
Bonds payable		(8,043,029)		
Interest payable		(58,083)		
Interest receivable		369,378		
Bond assessments receivable		4,361,361		
Net position - GAAP basis		\$ 976,036		

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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
REVENUES:				
Interest on assessments	\$ 15,000	\$ 19,517	\$ 4,517	\$ 56,997
Interest on investments	41,757	77,770	36,013	82,893
Total revenues	<u>56,757</u>	<u>97,287</u>	<u>40,530</u>	<u>139,890</u>
EXPENDITURES:				
Principal	3,240,000	3,240,000	-	4,145,000
Interest	3,856,314	3,856,312	2	3,972,819
Total expenditures	<u>7,096,314</u>	<u>7,096,312</u>	<u>2</u>	<u>8,117,819</u>
Revenues over (under) expenditures	<u>(7,039,557)</u>	<u>(6,999,025)</u>	<u>40,532</u>	<u>(7,977,929)</u>
OTHER FINANCING SOURCES:				
Transfer from other funds:				
Sanitary Sewer Fund	6,911,725	6,911,725	-	7,543,440
Surface Water Fund	-	-	-	378,742
Total transfers from other funds	<u>6,911,725</u>	<u>6,911,725</u>	<u>-</u>	<u>7,922,182</u>
Net change in fund balance	<u>(127,832)</u>	<u>(87,300)</u>	<u>40,532</u>	<u>(55,747)</u>
Fund balance - beginning	<u>8,351,414</u>	<u>8,420,424</u>	<u>69,010</u>	<u>8,476,171</u>
Fund balance - ending	<u>\$ 8,223,582</u>	<u>8,333,124</u>	<u>\$ 109,542</u>	<u>\$ 8,420,424</u>
Adjustment to GAAP basis:				
Due from NCSA B&I		(1,187,086)		
Capitalized bond premium/discount		719,533		
Long term debt		(88,442,214)		
Happy Valley lien		154,059		
Bonds payable		(3,372,120)		
Interest payable		(317,943)		
Interest receivable		6,166		
Net position - GAAP basis		<u>\$ (84,106,481)</u>		

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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			
	Original and Final Budget	Actual	Variance with Final Budget	2015 Actual
REVENUES:				
Grants	\$ -	\$ 386,366	\$ 386,366	\$ -
Interest on investments	49,942	30,690	(19,252)	57,341
Miscellaneous	-	109,299	109,299	133,807
Total revenues	49,942	526,355	476,413	191,148
EXPENDITURES:				
Capital outlay	8,619,000	2,495,220	6,123,780	3,324,560
Contingency	2,154,750	-	2,154,750	-
Total expenditures	10,773,750	2,495,220	8,278,530	3,324,560
Revenues over (under) expenditures	(10,723,808)	(1,968,865)	8,754,943	(3,133,412)
OTHER FINANCING SOURCES:				
Transfer from other funds:				
Sanitary Sewer Fund	7,000,000	7,000,000	-	1,500,000
Total other financing sources	7,000,000	7,000,000	-	1,500,000
Net change in fund balance	(3,723,808)	5,031,135	8,754,943	(1,633,412)
Fund balance - beginning	9,988,489	10,457,833	469,344	12,091,245
Fund balance - ending	\$ 6,264,681	15,488,968	\$ 9,224,287	\$ 10,457,833
Adjustment to GAAP basis:				
Interest receivable		11,725		
Net position - GAAP basis		\$ 15,500,693		

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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance with Final Budget	
REVENUES:				
Monthly service charges	\$ 4,276,756	\$ 4,246,425	\$ (30,331)	\$ 4,108,317
Interest on investments	21,426	18,921	(2,505)	21,708
Miscellaneous	200,000	306,742	106,742	197,737
Total revenues	<u>4,498,182</u>	<u>4,572,088</u>	<u>73,906</u>	<u>4,327,762</u>
EXPENDITURES:				
Materials and services	4,037,046	3,395,971	641,075	3,039,918
Contingency	672,841	-	672,841	-
Total expenditures	<u>4,709,887</u>	<u>3,395,971</u>	<u>1,313,916</u>	<u>3,039,918</u>
Revenues over (under) expenditures	<u>(211,705)</u>	<u>1,176,117</u>	<u>1,387,822</u>	<u>1,287,844</u>
OTHER FINANCING USES:				
Transfers to other funds:				
Revenue Bond Fund	-	-	-	(378,742)
Net change in fund balance	<u>(211,705)</u>	<u>1,176,117</u>	<u>1,387,822</u>	<u>909,102</u>
Fund balance - beginning	<u>4,285,256</u>	<u>4,658,632</u>	<u>373,376</u>	<u>3,749,530</u>
Fund balance - ending	<u>4,073,551</u>	5,834,749	<u>\$ 1,761,198</u>	<u>\$ 4,658,632</u>
Adjustments to GAAP basis:				
Due from NCSA general fund		124,015		
Capital assets (net of accumulated depreciation)		17,257,841		
Interest receivable		4,211		
Net Position - GAAP basis		<u>\$ 23,220,816</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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
REVENUES:				
Connection Charges	\$ 103,000	\$ 239,176	\$ 136,176	\$ 92,045
Interest on investments	7,217	5,703	(1,514)	7,425
Total revenues	110,217	244,879	134,662	99,470
EXPENDITURES:				
Capital outlay	560,000	-	560,000	-
Contingency	140,000	-	140,000	-
Total expenditures	700,000	-	700,000	-
Revenues over (under) expenditures	(589,783)	244,879	834,662	99,470
Net change in fund balance	(589,783)	244,879	834,662	99,470
Fund balance - beginning	1,443,480	1,444,226	746	1,344,756
Fund balance - ending	\$ 853,697	1,689,105	\$ 835,408	\$ 1,444,226
Adjustment to GAAP basis:				
Interest receivable		1,260		
Net position - GAAP basis		\$ 1,690,365		

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, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
REVENUES:				
Grants	\$ 30,000	\$ 12,164	\$ (17,836)	\$ 448,418
Interest on investments	23,698	15,151	(8,547)	24,807
Miscellaneous	-	-	-	8
Total revenues	<u>53,698</u>	<u>27,315</u>	<u>(26,383)</u>	<u>473,233</u>
EXPENDITURES:				
Capital outlay	1,060,000	200,194	859,806	690,548
Contingency	265,000	-	265,000	-
Total expenditures	<u>1,325,000</u>	<u>200,194</u>	<u>1,124,806</u>	<u>690,548</u>
Revenues over (under) expenditures	<u>(1,271,302)</u>	<u>(172,879)</u>	<u>1,098,423</u>	<u>(217,315)</u>
Net change in fund balance	<u>(1,271,302)</u>	<u>(172,879)</u>	<u>1,098,423</u>	<u>(217,315)</u>
Fund balance - beginning	<u>4,739,523</u>	<u>4,407,268</u>	<u>(332,255)</u>	<u>4,624,583</u>
Fund balance - ending	<u>\$ 3,468,221</u>	4,234,389	<u>\$ 766,168</u>	<u>\$ 4,407,268</u>
Adjustment to GAAP basis:				
Interest receivable		<u>3,149</u>		
Net position - GAAP basis		<u>\$ 4,237,538</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, 2016

Fund	Description	Net Position GAAP Basis
111	Sanitary Sewer General Fund	\$ 175,620,205
112	Sanitary Sewer System Development Charge Fund	15,226,263
115	State Revolving Loan Debt Service Fund	976,036
116	Revenue Bond Fund	(84,106,481)
119	Sanitary Sewer Construction Fund	15,500,693
151	Surface Water General Fund	23,220,816
152	Surface Water System Development Charge Fund	1,690,365
159	Surface Water Construction Fund	4,237,538
	Total Net Position	\$ 152,365,435

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Statistical Section



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STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	50
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue source: user fees.	52
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.	54
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.	57
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.	59

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
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
2016	92,126,286	21,711,286	38,527,863	152,365,435

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues:										
Sewerage and surface water charges	\$ 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	\$ 24,325,651
Municipal and other	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	4,435,104
Other operating revenues	1,283,472	1,134,552	970,295	797,053	868,823	730,458	1,084,477	818,566	1,038,252	1,151,697
Total operating revenues	<u>15,035,466</u>	<u>16,690,022</u>	<u>18,214,339</u>	<u>21,465,321</u>	<u>23,057,150</u>	<u>23,541,393</u>	<u>25,486,336</u>	<u>26,298,676</u>	<u>28,267,607</u>	<u>29,912,452</u>
Operating expenses:										
Contracted salaries and benefits	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	8,443,783
Professional services	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	1,117,850
Laboratory services	-	-	-	-	297,715	304,149	318,366	321,119	364,970	426,040
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	1,919,327
Supplies	301,053	771,100	906,372	866,930	406,502	674,237	872,686	1,134,602	678,497	350,010
Vehicle Expense	419,997	451,871	348,841	373,022	404,118	364,836	483,980	389,820	532,190	507,847
Repairs and maintenance	228,729	197,771	191,723	195,426	197,381	274,951	158,059	251,509	280,338	569,915
Utilities	637,158	690,110	683,632	761,963	865,569	894,216	886,071	868,072	849,276	878,157
Insurance	165,836	158,534	162,319	161,780	150,792	165,072	171,043	180,664	192,309	232,237
Other Expense	282,655	259,758	379,973	441,534	459,340	504,752	668,755	764,180	730,318	859,338
Depreciation	3,872,591	4,543,307	5,187,758	5,892,895	5,784,798	14,655,084	15,257,264	17,813,020	17,757,833	17,843,322
Total operating expenses	<u>14,691,988</u>	<u>16,094,074</u>	<u>17,535,861</u>	<u>19,040,080</u>	<u>19,086,837</u>	<u>28,088,157</u>	<u>29,730,269</u>	<u>32,902,976</u>	<u>31,944,024</u>	<u>33,147,826</u>
Operating income	<u>343,478</u>	<u>595,948</u>	<u>678,478</u>	<u>2,425,241</u>	<u>3,970,313</u>	<u>(4,546,764)</u>	<u>(4,243,933)</u>	<u>(6,604,300)</u>	<u>(3,676,417)</u>	<u>(3,235,374)</u>
Nonoperating revenue (expense):										
Interest income	1,683,990	1,684,674	848,728	651,411	360,776	472,179	476,623	610,312	700,846	582,605
Interest expense	(463,053)	(401,913)	(355,661)	(314,396)	(272,185)	(3,452,205)	(4,442,436)	(4,682,872)	(4,179,282)	(4,034,300)
Other nonoperating revenue (expense)	(206,957)	17,092	(3,157,520)	(299,424)	(4,217,627)	(67,216)	(33,139)	(110,684)	47,061	(69,916)
Total nonoperating revenue (expense)	<u>1,013,980</u>	<u>1,299,853</u>	<u>(2,664,453)</u>	<u>37,591</u>	<u>(4,129,036)</u>	<u>(3,047,242)</u>	<u>(3,998,952)</u>	<u>(4,183,244)</u>	<u>(3,431,375)</u>	<u>(3,521,611)</u>
Income (loss) before contributions	<u>1,357,458</u>	<u>1,895,801</u>	<u>(1,985,975)</u>	<u>2,462,832</u>	<u>(158,723)</u>	<u>(7,594,006)</u>	<u>(8,242,885)</u>	<u>(10,787,544)</u>	<u>(7,107,792)</u>	<u>(6,756,985)</u>
Contributions	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	7,856,869
Change in Net Position	<u>\$ 12,871,904</u>	<u>\$ 10,683,381</u>	<u>\$ 3,310,858</u>	<u>\$ 6,464,216</u>	<u>\$ 4,877,742</u>	<u>\$ (1,457,515)</u>	<u>\$ 4,674,679</u>	<u>\$ (5,178,067)</u>	<u>\$ (1,933,691)</u>	<u>\$ 1,099,884</u>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sanitary Sewer										
Cities	\$ 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	\$ 4,435,104
Residential	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	9,939,943
Commercial	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	2,920,992
Industrial	558,458	614,800	650,177	756,707	749,693	733,628	480,636	722,896	829,918	1,012,958
Other	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	6,205,331
Surface Water										
Residential	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	1,393,553
Commercial	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	2,553,099
Other	198,245	220,033	231,296	233,302	237,351	251,519	260,785	273,601	287,663	299,775
Total	\$ 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	\$ 28,760,755

Source: District's records

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

PRINCIPAL RATEPAYERS WITHIN DISTRICT
Last Ten Fiscal Years

Customer	2015-16		2014-15		2013-14		2012-13		2011-12		2010-11		2009-10		2008-09		2007-08		2006-07	
	Revenue	Rank																		
City of Milwaukie	\$ 4,345,032	1	\$ 4,243,026	1	\$ 4,076,503	1	\$ 3,968,386	1	\$ 2,767,440	1	\$ 2,448,120	1	\$ 2,950,336	1	\$ 1,200,000	1	\$ 1,805,657	1	\$ 1,200,000	1
Precision Castparts	650,636	2	236,245	4	198,777	4	130,952	13	154,946	8	160,383	7	132,589	9	126,888	8	123,801	7	129,904	7
Safeway Stores	313,947	3	335,947	2	351,623	2	431,791	2	533,942	2	456,159	2	372,730	3	354,151	3	404,068	2	251,497	2
Kaiser Hospital	285,664	4	312,128	3	312,043	3	385,825	3	376,600	3	420,968	3	446,307	2	362,738	2	261,296	3	284,544	3
GreenLeaf Monterey LLC	210,474	5	203,283	5			190,212	4	184,152	4	184,152	4	169,334	5	126,147	9	127,704	5	113,592	9
Big Reflections OR LLC	205,470	6	198,508	6	105,988	17														
Camp Withycombe	202,686	7	119,009	17	129,986	11	158,979	8	124,717	13	81,216	20	64,236	20	68,383	20	82,322	16	83,115	13
Crown Court Apartments	186,108	8	179,801	7	171,689	5	168,424	6	163,056	6	163,056	6	150,280	6	128,580	6	114,384	9	102,216	10
The Woods Apartments	179,526	9	173,460	8	165,708	6	162,549	7	157,368	7	157,368	8	145,159	7	124,422	10	110,856	10	99,228	11
Clackamas Town Center	174,108	10	167,324	9	161,072	7	157,852	9	152,808	9	152,808	9	143,358	8	127,308	7	116,808	8	108,544	6
The Overlook at Causey Lane	155,280	11	150,047	10	143,399	8	140,660	10	136,176	10	136,176	10	125,705	10	107,922	11	96,288	11	86,316	14
Clackamas Trails Apartments	149,652	12	144,585	11	138,081	9	135,453	11	131,136	11	131,136	11	120,892	11	103,494	12	92,112	13	82,356	15
Easton Ridge Apartments	146,754	13	141,790	12	135,430	10	132,850	12	128,616	12	128,616	12	118,599	18	101,586	13	90,456	14	80,916	16
Oak Acres Mobile Home Park	132,030	14	127,312	14	123,112	12	120,662	14	116,808	14	116,352	13	108,563	13	96,728	14	93,472	13	103,608	8
Hawksridge Apartments	131,670	15	127,366	13	121,894	14	119,642	15	115,956	15	115,956	14	107,020	14	88,776	18				
Squire's Court Apartments	129,432	16	125,040	15	119,376	15	117,108	16	113,376	16	113,376	15	104,455	15	89,304	16	79,392	17	70,896	
Fred Meyer Distribution	126,936	17	123,840	16	121,968	13	107,136	18	103,680	18	103,680	18	103,680	16	152,298	4	191,678	4	144,216	4
Unified Western Grocers	114,822	18	106,807	16	106,807	16	107,860	17	106,112	17	108,012	16	98,196	18	93,132	16	93,666	12	89,576	12
RiverBend Mobile Home Park	113,190	19	109,613	18	105,725	18	103,607	19	100,292	19	104,552	17	101,038	17	91,206	17	83,520	15	76,932	17
Stone Ridge Apts	112,956	20	109,153	19	104,329	19	102,334	20	99,072	20	99,072	19	91,474	19	78,570	19	70,128	18	62,892	18
GSL Properties			105,742	20	101,182	20														
MPB Associates LLC							185,950	5	180,024	5	180,024	5								
InterState Meat Co									87,596	21										
Clackamas Village Apts													165,925	4	141,978	5	126,312	6	112,884	5
Total	\$ 8,066,373		\$ 7,433,219		\$ 6,994,692		\$ 7,128,232		\$ 6,033,873		\$ 5,561,182		\$ 5,819,876		\$ 3,763,611		\$ 4,163,920		\$ 3,283,232	

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

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
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	2.32	1,130
2015	94,332,899	-	8,446,375	102,779,274	N/A	1,064
2016	91,094,801	-	8,043,029	99,137,830	N/A	1,007

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, 2016

Governmental Unit	Debt Outstanding	Percent Overlapping	Overlapping General Obligation Bonded Debt
Debt repaid with property taxes			
City of Happy Valley	\$ 3,530,000	99.93 %	\$ 3,527,529
Clackamas Community College	62,061,012	99.68	61,862,417
Clackamas County	101,775,136	99.76	101,530,876
Clackamas County School District #115 (Gladstone)	49,095,891	100.00	49,095,891
Clackamas County School District #12 (North Clackamas)	306,389,340	99.98	306,328,062
Clackamas County School District #46 (Oregon Trail)	105,330,487	100.00	105,330,487
Metro	199,855,000	18.39	36,753,335
Mt Hood Community College	23,735,000	16.52	3,921,022
Multnomah County School District #28J (Centennial)	24,641,858	6.72	1,655,933
Other Debt			
City of Gladstone	1,614,000	100.00	1,614,000
Clackamas Community College	26,930,000	99.68	26,843,824
Clackamas County	1,400,000	99.76	1,396,640
Clackamas County Education Service District	22,960,637	99.23	22,783,840
Clackamas County Rural Fire Protection District #1	17,645,000	99.77	17,604,417
Metro	28,835,000	18.39	5,302,757
Mt. Hood Community College	39,107,792	16.52	6,460,607
Multnomah County Education Service District	29,870,000	1.57	468,959
North Clackamas Parks & Recreation District	9,220,000	99.97	9,217,234
Port of Portland	63,760,760	22.50	14,346,171
Total overlapping debt	\$ 1,117,756,913		\$ 776,044,001

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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Gross Revenues										
Monthly Service Charges	\$ 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	\$ 24,325,651
Operating Payment from Cities	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	4,435,104
Interest Earnings	1,551,085	1,541,499	883,179	659,178	328,916	420,859	352,341	610,312	700,846	582,605
Capital Outlay Payment from Cities	219,443	605,657	-	-	-	-	-	-	-	-
Miscellaneous Income	1,327,600	1,557,243	708,868	799,758	925,654	1,093,167	1,139,185	881,766	1,038,252	1,151,697
Capital Charge Revenues	676,820	312,942	256,086	73,386	63,253	52,130	1,211,026	157,457	178,774	384,962
System Development Charges	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	6,176,226
Other Connection Charges	474,380	328,471	173,019	163,792	222,735	131,200	123,273	165,557	194,764	20,840
Total Gross Revenues	\$ 20,029,957	\$ 21,251,386	\$ 20,311,508	\$ 23,776,171	\$ 27,983,443	\$ 27,804,057	\$ 31,004,935	\$ 30,890,908	\$ 32,490,768	\$ 37,077,085
Operating Expenses										
Operation, Maintenance & Replacements	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	15,304,504
Total Operating Expenses	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	15,304,504
Net Operating Revenues	\$ 9,056,707	\$ 9,627,352	\$ 7,482,040	\$ 10,459,092	\$ 14,278,969	\$ 13,931,730	\$ 16,401,265	\$ 15,800,952	\$ 18,304,577	\$ 21,772,581
Revenue Bond Debt Service										
Series 1994	\$ 681,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2002A	243,238	233,788	229,063	223,988	218,650	213,138	207,450	201,623	195,638	184,589
Series 2002B	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	2,442,643
Series 2009B	-	-	-	935,831	2,880,175	2,881,800	2,877,450	2,870,050	2,844,175	2,834,013
Series 2010	-	-	-	-	-	1,562,326	1,561,119	1,562,969	1,564,519	1,635,069
Total Revenue Bond Debt Service	\$ 1,319,188	\$ 1,311,988	\$ 1,312,426	\$ 4,524,747	\$ 6,586,324	\$ 8,150,286	\$ 8,147,142	\$ 8,141,069	\$ 8,117,820	\$ 7,096,314
Revenue Bonds Debt Service Coverage	6.9	7.3	5.7	2.3	2.2	1.7	2.0	1.9	2.3	3.1
Revenue Bonds Coverage without SDC's	5.4	6.1	4.8	2.0	1.5	1.3	1.6	1.5	1.9	2.2
Revenues Available for State Revolving Fund Loans	\$ 7,737,519	\$ 8,315,364	\$ 6,169,614	\$ 5,934,345	\$ 7,692,645	\$ 5,781,444	\$ 8,254,123	\$ 7,659,883	\$ 10,186,757	\$ 14,676,267
State Revolving Fund Loan Debt Service										
R22401	\$ 225,546	\$ 224,767	\$ 223,956	\$ 220,750	\$ 219,773	\$ 221,316	\$ 219,081	\$ 218,584	\$ 218,333	\$ -
R06224	-	-	-	-	-	-	-	106,208	106,208	106,208
R22403	-	-	-	-	-	-	-	580,378	511,240	509,775
Total State Revolving Loan Debt Service	\$ 225,546	\$ 224,767	\$ 223,956	\$ 220,750	\$ 219,773	\$ 221,316	\$ 219,081	\$ 905,170	\$ 835,781	\$ 615,983
Revenue Available for Bancroft Bonds	\$ 7,511,973	\$ 8,090,597	\$ 5,945,658	\$ 5,713,595	\$ 7,472,872	\$ 5,560,128	\$ 8,035,042	\$ 6,754,713	\$ 9,350,976	\$ 14,060,284
Bancroft Bond Debt Service										
Bancroft Improvement Bonds (1988)	\$ 24,352	\$ 332,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bancroft Improvement Bonds (1986)	-	-	-	-	-	-	-	-	-	-
Total Bancroft Bond Debt Service	\$ 24,352	\$ 332,601	\$ -							
Revenues Available for Other Purposes	\$ 7,487,621	\$ 7,757,996	\$ 5,945,658	\$ 5,713,595	\$ 7,472,872	\$ 5,560,128	\$ 8,035,042	\$ 6,754,713	\$ 9,350,976	\$ 14,060,284

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 ³	Personal Income ^{1, 2}	Per Capita Personal Income ^{1, 2}	Unemployment Rate (PMSA)
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	4,633,872,838	48,713	6.0
2015	96,619	N/A	N/A	5.4
2016	98,492	N/A	N/A	5.0

N/A: Not available

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

¹ 2014 Personal Income and Per Capita Personal Income statistics revised November 2015.

² Figures are for calendar year; Personal Income and Per Capita Personal Income for 2015 and 2016 are not available (N/A).

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

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

PRINCIPAL EMPLOYERS ⁽¹⁾
Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total (2)	Employees	Rank	Percentage of Total (2)
Intel Corp.	18,600	1	.02 %	16,740	1	.02 %
Providence Health & Services	16,139	2	.01	14,639	2	.01
Oregon Health & Sciences University	14,963	3	.01	11,500	3	.01
Kaiser Permanente Northwest	11,898	4	.01	8,221	5	.01
Fred Meyer	10,813	5	.01	8,500	4	.01
Legacy Health System	8,700	6	.01	8,196	6	.01
Nike Inc.	8,500	7	.01	7,648	8	.01
Portland Public Schools	6,135	8	.01			
Multnomah County	5,995	9	.01			
City of Portland	5,481	10	.01	7,996	7	.01
State of Oregon				7,180	9	.01
Beaverton School District				5,000	10	.00
Total	107,224		0.11 %	95,620		0.10 %

Sources:

(1) Statistics are the latest available data published in the Portland Business Journal *Book of Lists 2016* and *Book of Lists 2007*. 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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business & Financial Services	17	16	18	16	20	20	26	41	36	29
Asset and Capacity Management	24	29	30	29	28	25	20	6	7	6
Water Quality Services	29	29	28	28	25	27	25	26	28	37
Environmental Monitoring Services	15	15	15	15	13	15	9	9	10	9
Total	<u>85</u>	<u>89</u>	<u>91</u>	<u>88</u>	<u>86</u>	<u>87</u>	<u>80</u>	<u>82</u>	<u>81</u>	<u>81</u>

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	Fiscal year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Sanitary Sewer										
Monthly service charge	\$ 23.00	\$ 26.00	\$ 29.50	\$ 34.85	\$ 38.00	\$ 38.00	\$ 39.25	\$ 40.00	\$ 42.00	\$ 43.50
Total amount collected	\$ 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	\$ 24,514,329
Percentage increase	7.3%	13.7%	13.4%	24.2%	8.8%	2.9%	7.5%	4.5%	8.0%	6.0%
Connection fees/EDU	\$ 2,200	\$ 2,200	\$ 5,200	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,950
Total amount collected	\$ 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	\$ 5,860,041
Percentage increase/(decrease)	-43.6%	-33.7%	-24.0%	17.5%	218.0%	-24.0%	-0.7%	6.3%	-12.0%	97.6%
Kellogg Hydraulic treatment capacity (in million gallons/day)	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129
Current flows (in million gallons/day)	8.67	8.730	7.876	7.895	8.860	8.610	7.930	6.680	5.880	8.720
Surface Water Management										
Monthly service charge	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.35	\$ 6.35	\$ 6.50
Total amount collected	\$ 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	\$ 4,246,426
Percentage increase	2.4%	2.4%	2.0%	3.2%	0.5%	2.4%	4.2%	3.8%	1.0%	3.4%
Connection fees/EDU	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205
Total amount collected	\$ 193,877	\$ 137,965	\$ 108,240	\$ 132,690	\$ 53,300	\$ 100,245	\$ 95,013	\$ 110,064	\$ 92,045	\$ 239,176
Percentage increase/(decrease)	-23.3%	-28.8%	-21.5%	22.6%	-59.8%	88.1%	-5.2%	15.8%	-16.4%	159.8%

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	17	17	17	17
Miles of Pipe	266	273	282	282	282	292	312	320	322	322
Surface Water										
Catch Basins / Manholes	8,049	14,901	15,222	15,628	15,628	15,628	17,669	17,765	17,846	17,839
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, 2016, 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 17, 2016.

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 17, 2016

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 year ended June 30, 2016, and have issued our report thereon dated November 17, 2016. 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

MOSS ADAMS LLP**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 17, 2016

