

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

# Tri-City Service District

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





TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

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

Prepared by:  
WATER ENVIRONMENT SERVICES  
Finance and Administration

Douglas Waugh  
Finance and Administration Manager

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

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TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

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# Introductory Section





TRI-CITY SERVICE DISTRICT  
(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

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COMMISSIONERS AS OF JUNE 30, 2015

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

ADMINISTRATIVE OFFICES

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

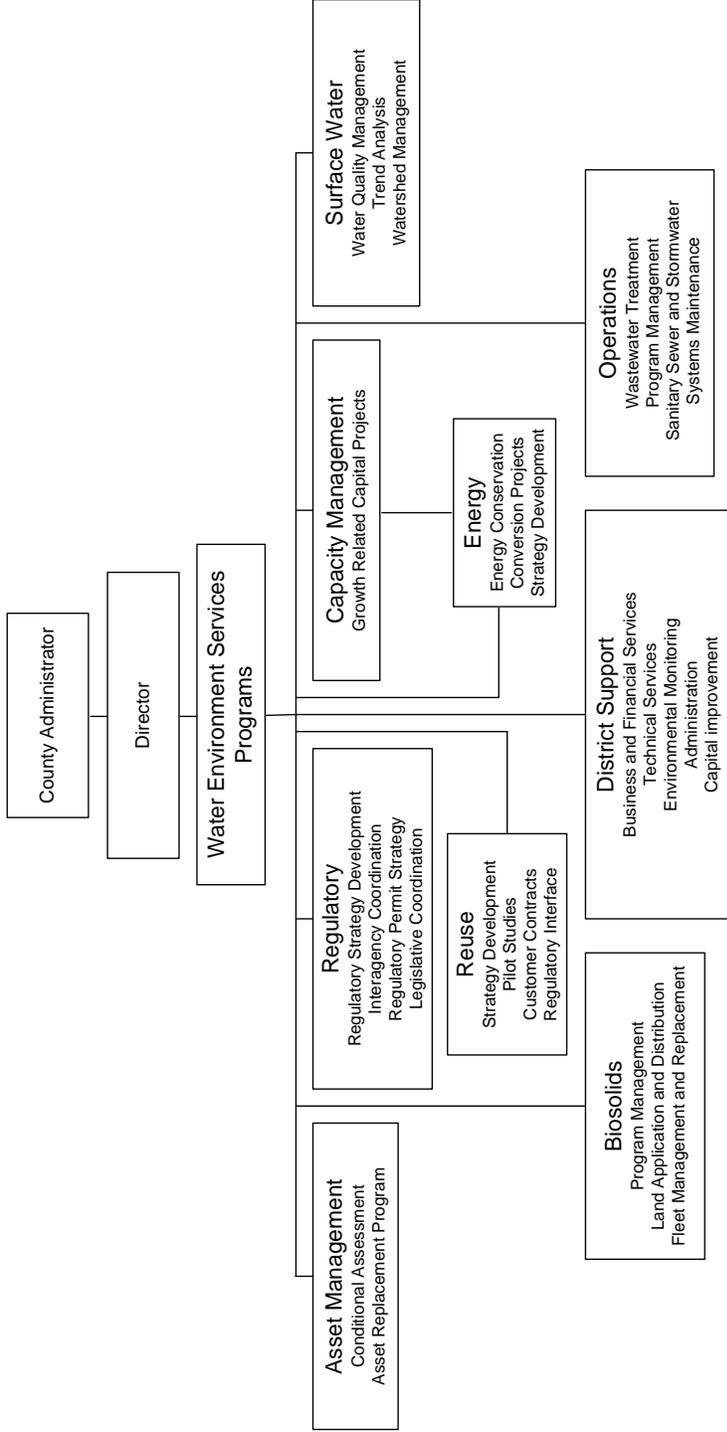
DISTRICT ADMINISTRATOR

Donald Krupp  
2051 Kaen Road  
Oregon City, Oregon 97045

REGISTERED AGENT

Greg Geist  
150 Beaver Creek Road  
Oregon City, Oregon 97045

Water Environment Services  
 A Department of Clackamas County  
 2014/2015





November 19, 2015

Board of County Commissioners of Clackamas  
County, Oregon, as the Governing Body of  
Tri-City Service District  
Oregon City, Oregon

The Comprehensive Annual Financial Report for the Tri-City Service District (the District) (a Component Unit of Clackamas County, Oregon) for the year ended June 30, 2015, is submitted herewith. This report was prepared by the Finance and Administration Section of Water Environment Services, a Department of Clackamas County (the Department), which administers the Tri-City Service District, 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; that it is presented in a manner designed to present fairly the financial position, results of operations and cash flows of the District at June 30, 2015, and for the year then ended.

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

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

Board of County Commissioners of Clackamas  
County, Oregon, as the Governing Body of  
Tri-City Service District  
Oregon City, Oregon

### Water Environment Services

The Department 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. At present, the Department administers the Tri-City Service District, Clackamas County Service District No. 1 (sewer and surface water management), 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 maintained separately from those of the County. However, under the criteria of the Governmental Accounting Standards Board, each entity is considered a component unit of Clackamas County, Oregon.

### Tri-City Service District

Voters formed the Tri-City Service District in 1980 to provide wastewater transmission and treatment services. The District's facilities convey wastewater from the cities of Oregon City, West Linn and a portion of Gladstone to the Tri-City Water Pollution Control Plant. The plant has a permitted dry weather average flow capacity of 11.9 million gallons per day (MGD).

To assist the District in its operation, the Board of County Commissioners established a four-person advisory committee in 1990, which is made up of the City Manager or Administrator (or their designee) of each city and the Director of the Department. The Committee advises the Department on decisions regarding capital improvement programs, annual budgets, financial planning, and long-term financing plans. Since 1998, the Tri-City facility has also provided growth-related capacity for Clackamas County Service District No. 1 (CCSD No. 1).

### Prospects for the Future

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

In 2011 and 2012 CCSD No. 1 finished expansion of a significant portion of the Tri-City Water Pollution Control Plant (TCWPCP) 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 TCWPCP in accordance with an Intergovernmental Agreement (IGA) between the District and CCSD No.1. Additional expansion to address wet weather and solids limitations at the Tri-City plant is anticipated between 2016 and 2030.

In July of 2012 the District and CCSD No. 1 purchased the former Blue Heron property in West Linn, Oregon. The District and CCSD No. 1'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. A remedial investigation and feasibility analysis to deal with site contamination from historical operations at the site was completed in 2014. Because the reports revealed minimal pollutant levels, CCSD No. 1 and the District will now be able to move forward with planning efforts for the cleanup rather than pursue additional studies. In 2015, CCSD No. 1 and the District continued an alternatives evaluation. The District and CCSD No. 1 are currently reviewing the alternatives presented and will determine the preferred alternative by early spring 2016. An estimated start date for construction has not been determined. Please refer to Note 9 on page 26 in the Notes to Basic Financial Statements for additional information.

Board of County Commissioners of Clackamas  
County, Oregon, as the Governing Body of  
Tri-City Service District  
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 Comprehensive Annual Financial Report for the year ended June 30, 2014. In order to be awarded a Certificate of Achievement, the District publishes 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 States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe we have again met the GFOA's standards for financial reporting for the year ended June 30, 2015, and therefore, the District will 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 report. Our appreciation is especially extended to the Finance and Administration Section of the Department, who work diligently year-round to maintain accurate and timely financial records of the District. This effort is crucial to the success of the Department and the well being of its ratepayers.

Respectfully submitted,

A handwritten signature in blue ink that reads "Greg Geist". The signature is written in a cursive style with a large initial "G".

Greg Geist  
Director



Government Finance Officers Association

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

Presented to

**Tri-City Service District  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

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  
Tri-City Service District  
Oregon City Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Tri-City Service District (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## REPORT OF INDEPENDENT AUDITORS (continued)

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules and summary of net position by fund on pages 28 to 33 (collectively, the supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### *Other Information*

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

## REPORT OF INDEPENDENT AUDITORS (continued)

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 19, 2015, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



James C. Lanzarotta, Partner  
for Moss Adams LLP  
Eugene, Oregon  
November 19, 2015

**TRI-CITY SERVICE DISTRICT**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

As management of the Tri-City Service District (the District), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2015, 2014 and 2013. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**

- Assets of the District exceeded our liabilities at the close of the fiscal year by \$49,706. Of this amount, \$9,383 (unrestricted net position) may be used to meet our ongoing obligations of providing wholesale sanitary sewage treatment services.
- The District's total assets decreased by \$577 in fiscal year 2015 primarily due to a decrease in capital assets, specifically a reduction of \$2,780 in plant and equipment.
- Operating revenues were up \$1,084. Sewer charges from the cities were up \$914 and payments from Clackamas County Service District No. 1 (CCSD No. 1) under an Intergovernmental Agreement (IGA) for the dewatering of Biosolids were up \$150.
- Operating expense increased by \$300. The primary contributing factors were increases in supplies, including chemicals; and other expenses, including the Oregon City Right of Way (ROW) fee.

**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 other Supplementary Information, which provides additional detail about the District's operations.

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

The Statements of Revenues, Expenses and Changes in Net Position present information related to increases and decreases in 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 provided from operations of the District, cash used in the payment of debt and the acquisition of capital assets, and cash from investing activities.

**TRI-CITY SERVICE DISTRICT**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2015**

**Overview of the Financial Statements (Continued)**

The basic financial statements contain information relating to the District's operations and can be found on pages 12 through 14 of this report. These operations are centered in the Tri-City Water Pollution Control Plant located in Oregon City, Oregon.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide statements. The Notes to the Basic Financial Statements can be found on pages 15 through 27 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the District's budgetary comparisons, beginning on page 28.

**Financial Analysis**

The financial operations of the District are primarily related to the wholesale transmission and treatment of sanitary sewage.

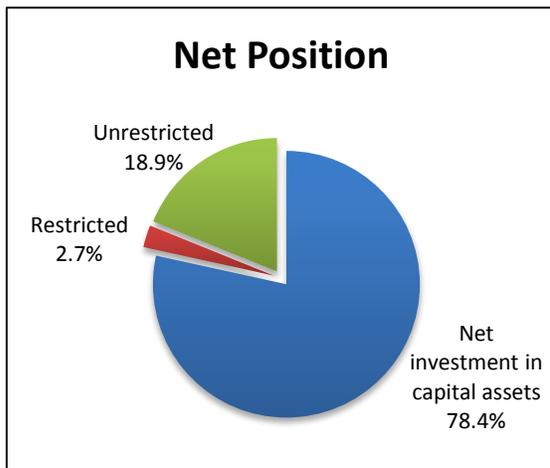
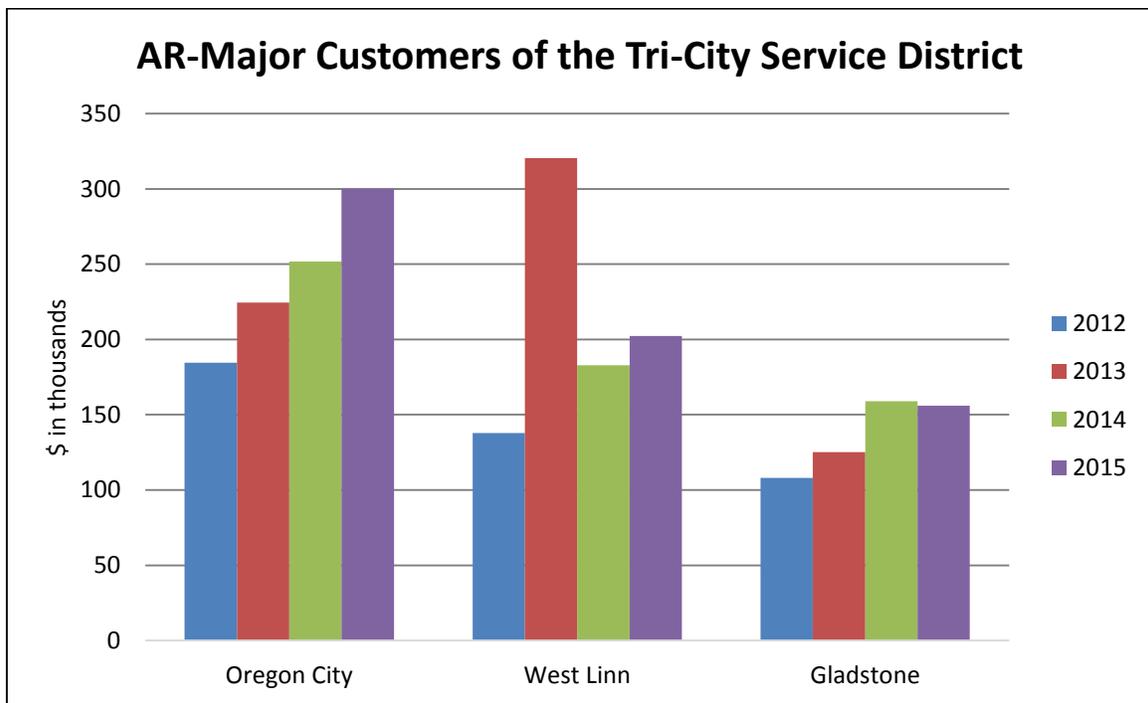
**Net Position**  
(In Thousands of Dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 9,985	\$ 8,391	\$ 8,475
Non-current assets - restricted	1,333	1,062	825
Capital assets, net	<u>39,044</u>	<u>41,486</u>	<u>43,363</u>
Total assets	<u>50,362</u>	<u>50,939</u>	<u>52,663</u>
Current liabilities	656	469	661
Long term liabilities	<u>-</u>	<u>54</u>	<u>107</u>
Total liabilities	<u>656</u>	<u>523</u>	<u>768</u>
Net investment in capital assets	38,990	41,380	43,207
Restricted for capital projects	1,278	1,007	770
Restricted for debt service	55	55	55
Unrestricted	<u>9,383</u>	<u>7,974</u>	<u>7,863</u>
Total net position, end of period	<u>\$ 49,706</u>	<u>\$ 50,416</u>	<u>\$ 51,895</u>

**TRI-CITY SERVICE DISTRICT**  
 (A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2015**

**Financial Analysis (Continued)**

Current assets increased by \$1,594. Pooled cash and investments were up by \$1,485 and accounts receivable (AR) increased by \$107. AR for the three cities, which comprise the District, has increased overall this year due to a rate increase from \$17.35 per Equivalent Dwelling Unit (EDU) in 2014 to \$19.00/EDU in 2015 and the addition of the ROW surcharge to Oregon City's bill. AR for Gladstone has decreased due to timing.



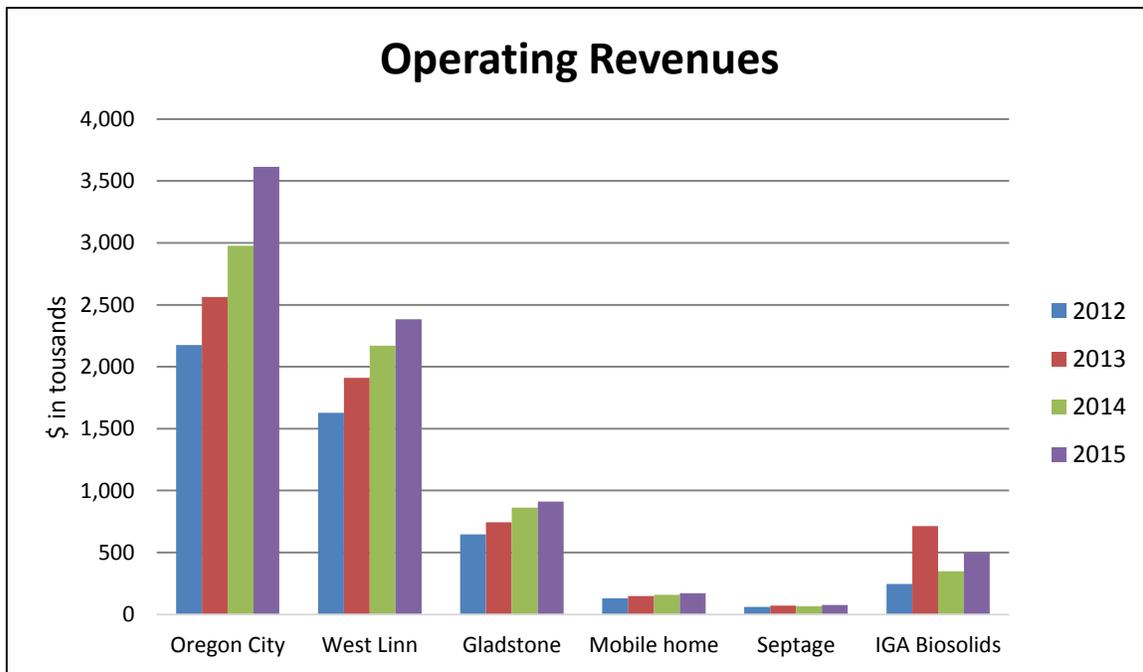
Total Net Position decreased by \$710, due primarily to a decrease of \$2,390 in net investment in capital assets and an increase of \$1,409 in unrestricted assets.

The majority of net position items are capital assets, represented by treatment facilities, land, conveyance systems, buildings, office equipment and vehicles. Restricted assets relate to the state loan and system development charges. Unrestricted assets account for 18.9% of net position. These items have no external restriction concerning their use or function.

**TRI-CITY SERVICE DISTRICT**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2015**

**Financial Analysis (Continued)**

Total operating revenue increased by \$1,084, an increase of 16%. Sewerage charges increased by \$914 while intergovernmental revenue increased by \$150. This follows an increase in 2014 total operating revenue of \$427 or 6.7%. In fiscal year 2014, sewerage revenues increased by \$797 while intergovernmental revenue decreased by \$363. The fluctuation in intergovernmental revenue relates to the payment by CCSD No. 1 to the District for dewatering of biosolids at the Tri-Cities plant. In 2015 the number of gallons treated increased while the rate per gallon treated for use of the centrifuge remained the same as 2014. In 2014 the treatment rate decreased, resulting in the decline in intergovernmental revenue. In 2013 the centrifuge was in operation for the entire year at a higher treatment rate, while in 2012 the centrifuge began operations in February. See Note 6 to the financial statements for further information.

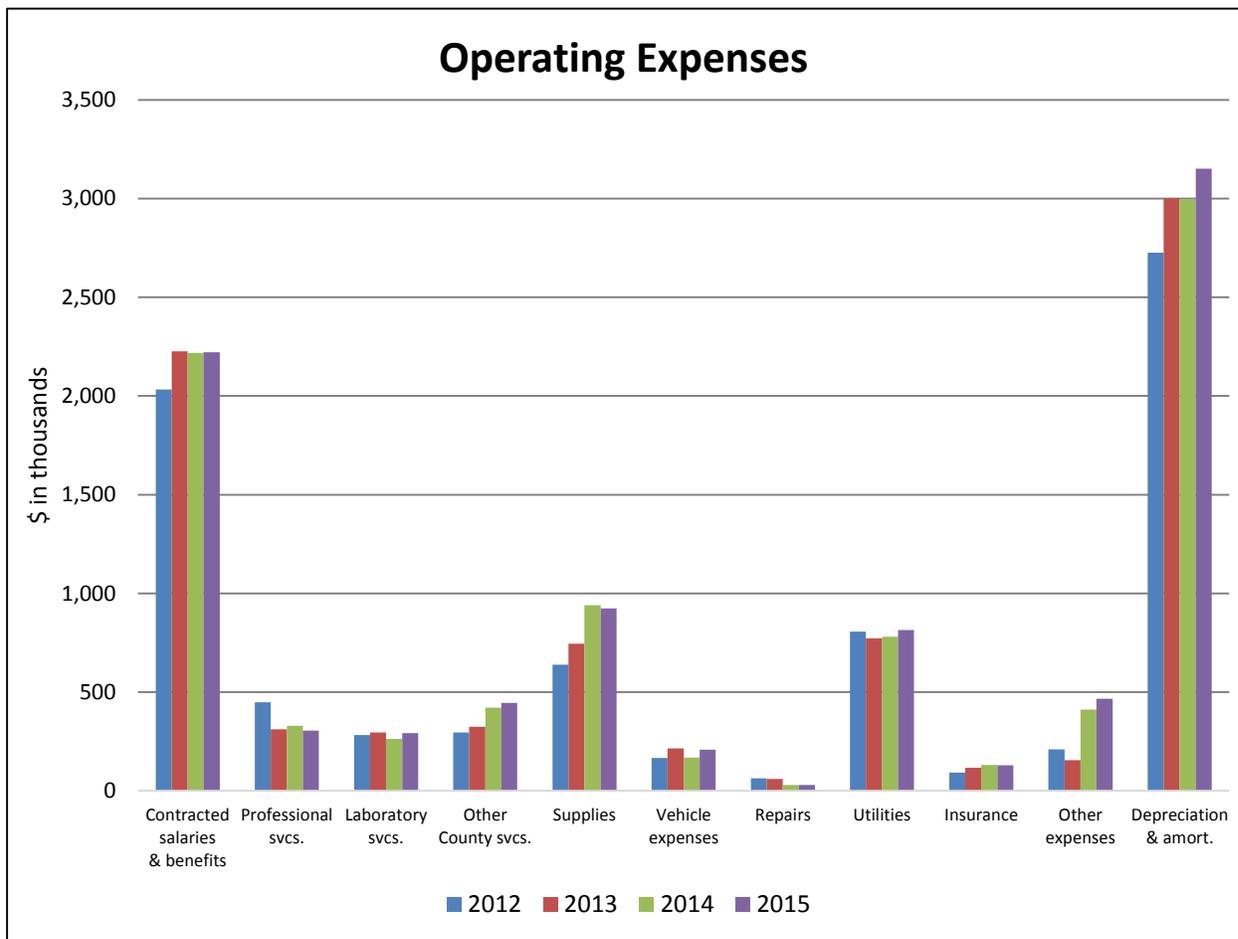


Sewerage charges increased in 2015 primarily due to a user rate increase. Sewer rates increased in fiscal year 2015, from \$17.35 per EDU in 2014 to \$19.00 per EDU in 2015, an increase of 9.5%. In the graph above, sewerage charges are reflected in the revenue from the cities and mobile home parks; Intergovernmental revenue is represented by the IGA for Biosolids; and Septage is a part of Other operating revenue.

**TRI-CITY SERVICE DISTRICT**  
 (A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2015**

**Financial Analysis (Continued)**

Intergovernmental revenues include revenues from CCSD No. 1 to treat biosolids as specified in an IGA. The District constructed a back up centrifuge at Tri-City in order to dewater biosolids. CCSD No. 1 has agreed to pay the District a per gallon rate to have their biosolids dewatered. In 2015 CCSD No. 1 paid the District \$499. See Note 6 to the financial statements for further information.



Total operating expenses in fiscal year 2015 increased by \$300 or 3.5%. Other County services increased \$23. Supplies decreased by \$15, due to a decrease in sludge removal expense as well as the cost of mechanical and electrical supplies. Other expenses increased by \$55.

**TRI-CITY SERVICE DISTRICT**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2015**

**Financial Analysis (Continued)**

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

**Changes in Net Position**

(In Thousands of Dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sewerage charges	\$ 7,102	\$ 6,188	\$ 5,392
Other operating revenues	769	599	968
Operating revenues	<u>7,871</u>	<u>6,787</u>	<u>6,360</u>
Contracted salaries and benefits	2,221	2,218	2,227
Material and services	6,770	6,473	5,998
Operating expenses	<u>8,991</u>	<u>8,691</u>	<u>8,225</u>
Operating loss	<u>(1,120)</u>	<u>(1,904)</u>	<u>(1,865)</u>
Interest income	54	27	44
Interest expense	(3)	(5)	(7)
Gain (loss) on disposal of capital assets	3	(48)	(185)
Nonoperating revenue (expense)	<u>54</u>	<u>(26)</u>	<u>(148)</u>
Loss before contributions	<u>(1,066)</u>	<u>(1,930)</u>	<u>(2,013)</u>
Contributions	<u>356</u>	<u>451</u>	<u>916</u>
Change in net position	<u>\$ (710)</u>	<u>\$ (1,479)</u>	<u>\$ (1,097)</u>

Operating expenses increased in fiscal year 2014 by \$466 or 5.7% over fiscal year 2013. Other County Services, supplies, and other expenses were higher in 2014.

In 2015 nonoperating revenue (expense) increased by \$80. Fewer construction projects were expensed in fiscal year 2015, accounting for this difference.

Total contributions decreased by \$95, connection charges decreased in Oregon City and West Linn.

**TRI-CITY SERVICE DISTRICT**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2015**

**Capital Asset and Debt Analysis**

The District's net capital assets decreased by \$2,442 or 5.9% in fiscal year 2015. From 2013 to 2014 net capital assets decreased \$1,877. For 2015 plant and equipment, net decreased by \$2,780.

Long term liabilities consist of the outstanding State Revolving Loan. The loan decreased by \$52 in 2014, \$54 in 2015, and will be paid off in 2016.

Readers interested in more detailed information are referred to Notes 4 and 5 of the Notes to Basic Financial Statements beginning on page 15.

**Rates and Charges**

In December of 2011 Portland State University (PSU) Population Research Center did a population study for the District. Growth projections within the District for the next five years are in the range of 0.6 to 1.1 percent per year.

While these future customers will increase the District's customer base and enhance realization of economies of scale opportunities, they will also buy into the system through the payment of a system development charge (connection charge). The system development charge was \$2,020/EDU in fiscal years 2013, 2014, and 2015, and increased to \$2,400/EDU effective July 1, 2015. These charges will be used for capital construction.

Over the last few years the EDU rate has increased slowly. On July 1, 2013 the rate was \$17.35 per EDU, changed to \$19.00 effective July 1, 2014. The most recent budget, adopted in June of 2015, established a rate of \$20.00 per EDU for the cities of West Linn and Gladstone, an increase of 5.3%. A rate of \$21.20 per EDU was established for the city of Oregon City. This was done to raise additional funds to pay Oregon City its Right of Way (ROW) fee that it began charging the District in February of 2014. This higher rate will also provide additional funds to the District to repay it for the ROW fee charged in fiscal year 2014. Considering the operating loss in 2014 and the need to establish a rate basis capable of financing future capital construction, the District felt that a rate increase was justified.

The three member cities of the District each add a charge to the District's base rate to provide for the costs associated with building and maintaining the collection systems operated by each. Oregon City, West Linn, and Gladstone added \$24.90, \$17.08, and \$9.19 per month per EDU, respectively, to the District's \$19.00 per month per EDU rate to provide for the costs associated with combined sewer separation and other collection system upgrades.

**TRI-CITY SERVICE DISTRICT**  
(A Component Unit of Clackamas County, Oregon)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2015**

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

Growth in the customer base in fiscal year 2014-15 was within range of the projected growth rate from the PSU study. EDUs increased by 1.1% in the three cities.

The budget for fiscal year 2015-16 represents an 11.1% increase over the budget for fiscal year 2014-15. Sewer treatment revenues are expected to rise due to the increases in rates discussed above. Labor costs are up due to benefit increases. Chemical and insurance costs are budgeted to increase, as are other county expenses. The District has made an agreement with the county facilities group to supply building and grounds maintenance services. In prior years the District used staff to do maintenance. The District decided that our staff time is better used for our core mission.

Actual operating expenses for 2014-15 were \$887 under budget or 13%. The District budgeted for a large solids handling planning process that was postponed. For more details see the Supplementary Information section.

In July of 2012 the District and CCSD No. 1 jointly purchased the former Blue Heron property in West Linn, Oregon. CCSD No. 1 and the District's primary interest is in the existing industrial outfall permit. This permit was purchased in conjunction with the property. At present the site is not being used and the permit should allow the District to avoid substantial future costs. A remedial investigation and feasibility analysis to deal with site contamination from historical operations at the site was completed in 2014. In July 2015, CCSD No. 1 and the District continued an alternatives evaluation. CCSD No. 1 and the District will be reviewing the alternatives to determine if the site will remain unused or remediation efforts will commence. The District has determined that no obligating events have occurred as of June 30, 2015 therefore no liability has been recorded.

**Financial Contact**

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

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# **Basic Financial Statements**





TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
STATEMENTS OF NET POSITION  
June 30, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Current assets:		
Pooled cash and investments	\$ 9,003,587	\$ 7,518,742
Accounts receivable	940,344	833,484
Interest receivable	11,153	5,774
Property taxes receivable	844	941
Prepaid expenses	28,684	31,862
Total current assets	9,984,612	8,390,803
Non-current assets:		
Pooled cash and investments - restricted	1,332,944	1,062,390
Capital assets:		
Land, easements and construction in progress	4,222,876	3,884,270
Plant and equipment, net	34,821,718	37,602,302
Total capital assets	39,044,594	41,486,572
Total noncurrent assets	40,377,538	42,548,962
TOTAL ASSETS	50,362,150	50,939,765
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	436,489	358,714
Due to Clackamas County	164,426	55,846
State revolving loan payable	54,426	52,322
Accrued interest payable, payable from restricted assets	1,083	2,124
Total current liabilities	656,424	469,006
Long term debt, net of current portion:		
State revolving loan	-	54,426
TOTAL LIABILITIES	656,424	523,432
<b>NET POSITION</b>		
Net investment in capital assets	38,990,168	41,379,824
Restricted for capital projects	1,277,599	1,007,338
Restricted for debt service	55,345	55,052
Unrestricted	9,382,614	7,974,119
TOTAL NET POSITION	\$ 49,705,726	\$ 50,416,333

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

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Sewerage charges	\$ 7,101,531	\$ 6,188,372
Intergovernmental revenue	498,555	348,655
Other operating revenues	<u>271,055</u>	<u>250,163</u>
Total operating revenues	<u>7,871,141</u>	<u>6,787,190</u>
Operating expenses:		
Contracted salaries and benefits	2,220,985	2,218,110
Professional services	306,083	330,236
Laboratory services	292,811	263,337
Other County services	445,204	421,671
Supplies	924,591	939,592
Vehicle expenses	209,577	167,553
Repairs and maintenance	29,643	29,625
Utilities	813,661	781,182
Insurance	129,097	131,435
Other expenses	467,237	412,011
Depreciation and amortization	<u>3,152,395</u>	<u>2,995,897</u>
Total operating expenses	<u>8,991,284</u>	<u>8,690,649</u>
Operating loss	<u>(1,120,143)</u>	<u>(1,903,459)</u>
Nonoperating revenue (expense)		
Interest income	54,365	27,246
Interest expense	(3,096)	(5,084)
Gain (loss) on disposal of capital assets	<u>2,737</u>	<u>(48,557)</u>
Total nonoperating revenue (expense)	<u>54,006</u>	<u>(26,395)</u>
Loss before contributions	<u>(1,066,137)</u>	<u>(1,929,854)</u>
Contributions		
Connection charges	345,370	451,377
Capital contribution	<u>10,160</u>	<u>-</u>
Total contributions	<u>355,530</u>	<u>451,377</u>
Change in net position	(710,607)	(1,478,477)
Net position - beginning of year	<u>50,416,333</u>	<u>51,894,810</u>
Net position - end of year	<u>\$ 49,705,726</u>	<u>\$ 50,416,333</u>

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

TRI-CITY SERVICE DISTRICT  
(a Component Unit of Clackamas County, Oregon)  
STATEMENTS OF CASH FLOWS  
for the years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Received from customers	\$ 7,538,649	\$ 6,618,648
Payments to suppliers for goods and services	(2,851,889)	(2,797,662)
Payments to related entities for services	(2,870,348)	(2,849,958)
Other operating revenue	271,055	250,163
Net cash from operating activities	2,087,467	1,221,191
Cash flows from capital and related financing activities:		
State loan principal paid	(52,322)	(50,300)
State loan interest paid	(4,137)	(6,085)
Connection charges collected	310,107	505,768
Collection of property taxes	97	106
Acquisition of capital assets, net of dispositions	(634,799)	(1,396,819)
Net cash from capital and related financing activities	(381,054)	(947,330)
Cash flows from investing activities:		
Interest received	48,986	29,019
Net increase in pooled cash and investments	1,755,399	302,880
Pooled cash and investments, beginning of year	8,581,132	8,278,252
Pooled cash and investments, end of year <sup>(1)</sup>	\$ 10,336,531	\$ 8,581,132
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (1,120,143)	\$ (1,903,459)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	3,152,395	2,995,897
Changes in assets and liabilities:		
Decrease (increase) in sewerage charges and other receivables	(61,437)	81,621
Decrease in prepaid expenses	3,178	11,487
Increase in accounts payable and Due to Clackamas County	113,474	35,645
Total adjustments	3,207,610	3,124,650
Net cash from operating activities	\$ 2,087,467	\$ 1,221,191
<sup>(1)</sup> Pooled cash and investments are reflected on the Statements of Net Position as follows:		
Current assets - unrestricted	\$ 9,003,587	\$ 7,518,742
Non-current assets - restricted	1,332,944	1,062,390
	\$ 10,336,531	\$ 8,581,132

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

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

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**1. Description of the District and Summary of its Significant Accounting Policies:**

**The District**

Tri-City Service District (the District) was organized in July 1980 under the provisions of ORS Chapter 451 to provide and operate a sanitary sewerage system within the incorporated areas of the Cities of Oregon City, West Linn and portions of Gladstone. 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 Commissioners also serves as the District's Board, the District is included as a blended component unit in the Comprehensive Annual Financial Report of Clackamas County, Oregon for the year ended June 30, 2015.

Fiscal and accounting functions are provided by personnel of Clackamas County Water Environment Services (WES), the County Treasurer and the County's General Services Agency. The District contracts with the County for their personnel services.

Significant accounting policies used in the preparation of these 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 four 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.

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 sewage treatment operations. 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.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**1. Description of the District and Summary of its Significant Accounting Policies - Continued:**

**Pooled Cash and Investments**

Pooled cash and investments are comprised of funds held and invested by the Clackamas County Treasurer and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Financial information required by Governmental Accounting Standards Board Statements regarding the accounting and financial reporting for the District's pooled cash and investments, held by the Clackamas County Treasurer, has been disclosed in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. For purposes of the Statements of Cash Flows, pooled cash and investments include all cash and investments held by the Clackamas County Treasurer and LGIP, since they have the general characteristics of a demand deposit account.

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

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

**Sewerage Charges Receivable**

Sewerage charges receivable represent user charges and are due from property owners within the District, which is presented as part of the accounts receivable balance. An allowance for doubtful accounts is not deemed necessary as uncollectible accounts become a lien on the property.

**Capital Assets**

Capital assets are stated at cost or at estimated fair market value at the time received in the case of gifts or projects constructed by others. Normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**1. Description of the District and Summary of its Significant Accounting Policies - Continued:**

**Capital Assets – Continued:**

Depreciation is computed on 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	5 - 50 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 to ten years.

**Capitalized Interest**

Interest costs are capitalized as part of the costs of capital assets during the period of construction, based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of borrowed funds, is used to reduce the interest costs capitalized on the constructed assets. Interest earned for this calculation is figured from the time of the borrowing until the assets are placed in use. Interest is not capitalized for outlays financed by capital grants (or other outside parties) externally restricted for the acquisition of specified assets. For 2015 and 2014, no interest was capitalized.

**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, net of accumulated depreciation 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 assets, on which constraints are placed by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including legal mandates. The balance in Restricted for capital projects of \$1,277,599 is restricted due to enabling legislation. This balance relates to unspent System Development Charges. Unrestricted net position consists of all other assets, not included in the above categories.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**1. Description of the District and Summary of its Significant Accounting Policies - Continued:**

**Budget**

The District begins its budgetary process by appointing Budget committee members in the spring of each year. Budget recommendations are developed by management through early spring, with the Budget committee approving the budget document in late spring. Public notices of the budget hearing are published prior to the public hearing held in June. The Board of Commissioners adopts the budget, authorizes appropriations and declares the tax levy, if needed, no later than June 30.

A budget is prepared and legally adopted for each fund, in accordance with the modified accrual basis of accounting and legal requirements set forth in Oregon Local Budget Law. The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. All funds establish the levels of budgetary control at the materials and services, reserve for capital improvement, capital outlay, debt service, operating contingencies, other and operating transfers category levels. Unexpected additional resources may be added to the budget through the use of a supplemental budget and transfers of appropriations. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Commissioners at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Commissioners. Original and supplemental budgets may be modified by the use of appropriation transfers between category levels and require approval by the Board of Commissioners. No supplemental budgets or appropriation transfers were made during the year ended June 30, 2015. All annual appropriations lapse at fiscal year end.

**Risk Management**

The District purchases insurance coverage for automobile, flood, earthquake, liability, machinery, and business risks. These policies are subject to minimum deductibles.

An IGA between the District and Clackamas County clarifies that for workers' compensation and employment practice liability issues, the District participates in the 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. Settled claims have not reached the commercial coverage in any of the past three fiscal years. No significant reduction in insurance coverage has occurred in the current year for any category of risk.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**1. Description of the District and Summary of its Significant Accounting Policies - Continued:**

**Use of Estimates**

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

**Adoption of New GASB Pronouncements**

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, Issued January 2013, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The District had no government combinations or disposals of government operations during the 2014-15 fiscal year.

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

**Future Adoption of GASB Pronouncements**

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

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

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

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

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**1. Description of the District and Summary of its Significant Accounting Policies - Continued:**

**Future Adoption of GASB Pronouncements - Continued**

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

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

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

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

**2. Pooled Cash and Investments:**

The pooled cash and investments are comprised of funds held and invested by the Clackamas County Treasurer and LGIP. The District considers its pooled cash and investments as a demand deposit account, whereby funds may be deposited or withdrawn without prior notice or penalty. Interest earnings are allocated from the Clackamas County Treasurer based on the proportion of the District's funds to total of Clackamas County Service District No. 1, Surface Water Management Agency of Clackamas County, and the District's funds. Reference should be made to the Clackamas County Comprehensive Annual Financial Reports for the year ended June 30, 2015 for compliance with Oregon Revised Statutes relating to the collateralization of deposits and categorization of investments and disclosures required by GASB.

**Custodial Credit Risk**

The District is exposed to custodial credit risk because its cash and investments are held by a 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 CCSD No. 1 and Surface Water Management Agency of Clackamas County. The pool consists of bank and local government investment pool accounts, and federal treasury securities. This pool is subject to general credit claims of the County. The District believes that the risk of County default is slight and outweighed by the advantages of participation in the County cash and investment pool.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**2. Pooled Cash and Investments - Continued:**

**Custodial Credit Risk - Continued**

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 Reports for information about the interest, credit, and custodial credit risks associated with the County’s various cash and investments.

**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+.

**3. Accounts Receivable:**

Amounts are comprised of the following:

	2015	2014
Sewerage charges	\$ 676,285	\$ 613,685
Connection charges from cities	76,914	31,491
Pump station charges	2,921	2,318
Intergovernmental agreement and miscellaneous receivables	184,224	185,990
	\$ 940,344	\$ 833,484

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

**4. Capital Assets:**

Changes in capital assets for the year ended June 30, 2015 were as follows:

	Balance July 1, 2014	Additions	Transfers	Deletions	Balance June 30, 2015
Capital assets not being depreciated:					
Land and easements	\$ 3,514,699	\$ -	\$ -	\$ -	\$ 3,514,699
Construction in progress	369,571	782,665	(362,505)	(81,554)	708,177
<b>Total capital assets, not being depreciated</b>	<b>3,884,270</b>	<b>782,665</b>	<b>(362,505)</b>	<b>(81,554)</b>	<b>4,222,876</b>
Capital assets being depreciated and amortized:					
Intangibles	1,040,218	-	-	-	1,040,218
Collection plant	20,212,163	-	-	-	20,212,163
Pumping plant	4,863,430	-	67,401	-	4,930,831
Treatment plant	57,962,758	-	175,787	(112,466)	58,026,079
General plant	7,902,299	-	119,317	(104,530)	7,917,086
<b>Total capital assets being depreciated and amortized</b>	<b>91,980,868</b>	<b>-</b>	<b>362,505</b>	<b>(216,996)</b>	<b>92,126,377</b>
Less accumulated depreciation and amortization for:					
Intangibles	(1,040,216)	-	-	-	(1,040,216)
Collection plant	(9,299,815)	(432,998)	-	-	(9,732,813)
Pumping plant	(3,241,515)	(119,908)	-	-	(3,361,423)
Treatment plant	(36,013,268)	(2,238,468)	-	121,773	(38,129,963)
General plant	(4,783,752)	(361,021)	-	104,529	(5,040,244)
<b>Total accumulated depreciation and amortization</b>	<b>(54,378,566)</b>	<b>(3,152,395)</b>	<b>-</b>	<b>226,302</b>	<b>(57,304,659)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>37,602,302</b>	<b>(3,152,395)</b>	<b>362,505</b>	<b>9,306</b>	<b>34,821,718</b>
<b>Total capital assets, net</b>	<b>\$ 41,486,572</b>	<b>\$ (2,369,730)</b>	<b>\$ -</b>	<b>\$ (72,248)</b>	<b>\$ 39,044,594</b>

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

**4. Capital Assets - Continued:**

Changes in capital assets for the year ended June 30, 2014 were as follows:

	Balance July 1, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Capital assets not being depreciated:					
Land and easements	\$ 3,514,699	\$ -	\$ -	\$ -	\$ 3,514,699
Construction in progress	813,369	1,181,900	(1,572,027)	(53,671)	369,571
<b>Total capital assets, not being depreciated</b>	<b>4,328,068</b>	<b>1,181,900</b>	<b>(1,572,027)</b>	<b>(53,671)</b>	<b>3,884,270</b>
Capital assets being depreciated and amortized:					
Intangibles	1,040,218	-	-	-	1,040,218
Collection plant	20,200,962	-	11,201	-	20,212,163
Pumping plant	4,548,783	-	314,647	-	4,863,430
Treatment plant	57,088,865	-	887,580	(13,687)	57,962,758
General plant	7,664,033	-	358,599	(120,333)	7,902,299
<b>Total capital assets being depreciated and amortized</b>	<b>90,542,861</b>	<b>-</b>	<b>1,572,027</b>	<b>(134,020)</b>	<b>91,980,868</b>
Less accumulated depreciation and amortization for:					
Intangibles	(1,040,216)	-	-	-	(1,040,216)
Collection plant	(8,865,386)	(434,429)	-	-	(9,299,815)
Pumping plant	(3,153,003)	(88,512)	-	-	(3,241,515)
Treatment plant	(33,870,029)	(2,147,620)	-	4,381	(36,013,268)
General plant	(4,578,749)	(325,336)	-	120,333	(4,783,752)
<b>Total accumulated depreciation and amortization</b>	<b>(51,507,383)</b>	<b>(2,995,897)</b>	<b>-</b>	<b>124,714</b>	<b>(54,378,566)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>39,035,478</b>	<b>(2,995,897)</b>	<b>1,572,027</b>	<b>(9,306)</b>	<b>37,602,302</b>
<b>Total capital assets, net</b>	<b>\$ 43,363,546</b>	<b>\$ (1,813,997)</b>	<b>\$ -</b>	<b>\$ (62,977)</b>	<b>\$ 41,486,572</b>

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**5. State Revolving Loan:**

The District has a state revolving loan from the Department of Environmental Quality which was obtained for the purpose of acquiring capital assets. Payments are due semi-annually at an interest rate of 3.98% plus administration fees. Payments of \$52,322 and \$50,300 were due in 2015 and 2014, respectively, and were paid. The original amount of this loan was \$756,352 and is collateralized by future sewer revenues.

Changes in state revolving loan payable for the year are as follows:

Balance July 1, 2013	\$	157,048
Payments		<u>(50,300)</u>
Balance July 1, 2014		106,748
Payments		<u>(52,322)</u>
Balance June 30, 2015		54,426
Current portion		<u>(54,426)</u>
Long-term portion	\$	<u><u>-</u></u>

This loan contains certain financial covenants. As of June 30, 2015, management believes the District was in compliance with these covenants.

Future maturities are as follows:

Fiscal Year	Principal	Interest	Admin. Fees	Total
2016	\$ 54,426	\$ 1,630	\$ 137	\$ 56,193

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**6. Related Party Transactions:**

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

- Clackamas County
- Clackamas County Service District No. 1
- Clackamas County Service District No. 5
- Clackamas County Development Agency
- 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

Clackamas County employees, working on behalf of Water Environment Services and Clackamas County Service District No. 1, perform certain fiscal, accounting and sewerage operations for which the District was charged \$2,957,016 and \$2,890,582 for fiscal years 2015 and 2014, respectively. At June 30, related party balances amounted to \$164,426 and \$55,846 for 2015 and 2014, respectively.

**7. Commitments:**

The District has entered into agreements with the cities of Oregon City, West Linn and Gladstone. Pertinent terms of these agreements are as follows:

- The Cities will process and review all permit applications for hookup and inspection; operate and maintain local collection facilities; bill and collect sewer user charges and connection charges.
- The Cities will collect and remit a contractual percentage of connection charges to the District.
- The Cities will bill and collect sewer user charges bimonthly according to the rate schedule provided by the District.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**7. Commitments - Continued:**

- Should the District fail to perform services outlined in these agreements, the Cities can terminate the agreement upon 30 days written notice.

In accordance with the terms of these agreements, the following fees and charges were earned by the District:

	<u>2015</u>	<u>2014</u>
Sewerage user fees	\$ 6,909,627	\$ 6,007,072
Connection charges	345,370	449,357
Pump station maintenance charges	<u>8,661</u>	<u>5,260</u>
	<u>\$ 7,263,658</u>	<u>\$ 6,461,689</u>

The District is committed under contractual agreements for various multi-year contracts. The total contract costs are approximately \$1,139,000. As of June 30, 2015, approximately \$407,000 of these contracts remain outstanding.

**8. 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.

**9. Pollution Remediation:**

The District entered into an agreement with the State of Oregon Department of Environmental Quality on June 2, 2000 which requires the District to perform certain, specific pollution remediation measures on property owned by the District adjacent to the Tri-City Water Pollution Control Plant (TCWPCP) which had been used for municipal refuse. The agreement does not have a specific date by which these remediation efforts must be completed. Rather, these measures are to be taken at a time in the future if the District decides to expand the TCWPCP property to provide additional treatment capacity.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 and 2014

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**9. Pollution Remediation - Continued:**

On July 19, 2012 the Oregon Department of Environmental Quality (DEQ) issued a Consent Order to CCSD No. 1 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 CCSD No. 1 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 CCSD No. 1 and the District were accepted by DEQ on June 18, 2014. In July 2015, CCSD No. 1 and the District continued an alternatives evaluation. CCSD No. 1 and the District will be reviewing the alternatives to determine if the site will remain unused or remediation efforts will commence. The District has determined that no obligating events have occurred as of June 30, 2015 therefore no liability has been recorded.

# Supplementary Information





TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)  
DESCRIPTION OF BUDGETARY FUNDS

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For financial reporting and operating purposes, management considers the District's activities as those of a unitary enterprise operation reported 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, generally prepared on the modified accrual basis of accounting, are shown on the following pages.

General Fund

The General Fund accounts for all activities not accounted for by the District's other funds, primarily sewer operations. The primary resources are sewerage service charges and intergovernmental revenue.

System Development Charge Fund

The System Development Charge Fund (SDC) accounts for sanitary sewer capital expenditures related to growth or increased capacity. The primary resources are connection charges.

State Revolving Loan Debt Service Fund

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

Construction Fund

The Construction Fund accounts for non-SDC sanitary sewer capital expenditures. The primary revenue resources are transfers from the General Fund and interest earnings.

**TRI-CITY SERVICE DISTRICT**  
 (A Component Unit of Clackamas County, Oregon)  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
 for the year ended June 30, 2015  
 (with comparative totals for the year ended June 30, 2014)

	2015			
	Original And Final Budget	Actual	Variance with Final Budget	2014 Actual
<b>REVENUES:</b>				
Sewerage user charges	\$ 7,105,286	\$ 7,101,531	\$ (3,755)	\$ 6,188,372
Interest on investments	28,204	31,987	3,783	19,456
Pump station operation charges	5,000	8,661	3,661	5,260
Intergovernmental revenue	472,000	498,555	26,555	348,655
Miscellaneous	236,600	262,527	25,927	268,447
Total revenues	7,847,090	7,903,261	56,171	6,830,190
<b>EXPENDITURES:</b>				
Materials and services	6,763,509	5,876,816	886,693	5,743,345
Contingency	1,127,252	-	1,127,252	-
Total expenditures	7,890,761	5,876,816	2,013,945	5,743,345
Revenues over (under) expenditures	(43,671)	2,026,445	2,070,116	1,086,845
<b>OTHER FINANCING USES:</b>				
Transfers to other funds:				
State Revolving Loan Fund	(56,460)	(56,460)	-	(56,028)
Sanitary Sewer Construction Fund	(4,500,000)	(4,500,000)	-	(1,000,000)
Total transferred to other funds	(4,556,460)	(4,556,460)	-	(1,056,028)
Net change in fund balance	(4,600,131)	(2,530,015)	2,070,116	30,817
Fund balance - beginning	5,640,866	5,726,699	85,833	5,695,882
Fund balance - ending	\$ 1,040,735	3,196,684	\$ 2,155,949	\$ 5,726,699
Adjustment to GAAP basis:				
Capital assets (net of accumulated depreciation)		39,044,594		
Interest receivable		7,731		
Net position - GAAP basis		\$ 42,249,009		

TRI-CITY SERVICE DISTRICT  
 (A Component Unit of Clackamas County, Oregon)  
 SYSTEM DEVELOPMENT CHARGE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 for the year ended June 30, 2015  
 (with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
REVENUES:				
Connection charges	\$ 784,684	\$ 345,370	\$ (439,314)	\$ 442,252
Interest on investments	4,815	6,255	1,440	3,017
Total revenues	<u>789,499</u>	<u>351,625</u>	<u>(437,874)</u>	<u>445,269</u>
EXPENDITURES:				
Capital Outlay	692,000	35,941	656,059	262,016
Contingency	173,000	-	173,000	-
Total expenditures	<u>865,000</u>	<u>35,941</u>	<u>829,059</u>	<u>262,016</u>
Revenues over (under) expenditures	<u>(75,501)</u>	<u>315,684</u>	<u>391,185</u>	<u>183,253</u>
Net change in fund balance	<u>(75,501)</u>	<u>315,684</u>	<u>(391,185)</u>	<u>183,253</u>
Fund balance - beginning	<u>962,934</u>	<u>1,038,829</u>	<u>(75,895)</u>	<u>855,576</u>
Fund balance - ending	<u>\$ 887,433</u>	1,354,513	<u>\$ (467,080)</u>	<u>\$ 1,038,829</u>
Adjustment to GAAP basis:				
Interest receivable		<u>1,451</u>		
Net position - GAAP basis		<u>\$ 1,355,964</u>		

TRI-CITY SERVICE DISTRICT  
 (A Component Unit of Clackamas County, Oregon)  
 STATE REVOLVING LOAN DEBT SERVICE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 for the year ended June 30, 2015  
 (with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Interest on investments	\$ 276	\$ 293	\$ 17	\$ 195
<b>EXPENDITURES:</b>				
Principal	52,322	52,322	-	50,301
Interest	4,138	4,138	-	6,086
Total expenditures	56,460	56,460	-	56,387
Revenues over (under) expenditures	(56,184)	(56,167)	17	(56,192)
<b>OTHER FINANCING SOURCES:</b>				
Transfer from other funds:				
General Fund	56,460	56,460	-	56,028
Net change in fund balance	276	293	17	(164)
Fund balance - beginning	55,133	55,051	(82)	55,215
Fund balance - ending	<u>\$ 55,409</u>	55,344	<u>\$ (65)</u>	<u>\$ 55,051</u>
<b>Adjustment to GAAP basis:</b>				
Notes and loans payable		(54,426)		
Interest payable		(1,083)		
Interest receivable		61		
Net position - GAAP basis		<u>\$ (103)</u>		

TRI-CITY SERVICE DISTRICT  
 (A Component Unit of Clackamas County, Oregon)  
 CONSTRUCTION FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 for the year ended June 30, 2015  
 (with comparative totals for the year ended June 30, 2014)

	2015			2014 Actual
	Original And Final Budget	Actual	Variance with Final Budget	
<b>REVENUES:</b>				
Interest on investments	\$ 8,923	\$ 10,452	\$ 1,529	\$ 6,353
Total revenues	<u>8,923</u>	<u>10,452</u>	<u>1,529</u>	<u>6,353</u>
<b>EXPENDITURES:</b>				
Capital Outlay	2,269,087	623,784	1,645,303	871,291
Contingency	<u>567,272</u>	<u>-</u>	<u>567,272</u>	<u>-</u>
Total expenditures	<u>2,836,359</u>	<u>623,784</u>	<u>2,212,575</u>	<u>871,291</u>
Revenues over (under) expenditures	<u>(2,827,436)</u>	<u>(613,332)</u>	<u>2,214,104</u>	<u>(864,938)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfer from other funds:				
General Fund	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>	<u>1,000,000</u>
Net change in fund balance	<u>1,672,564</u>	<u>3,886,668</u>	<u>2,214,104</u>	<u>135,062</u>
Fund balance - beginning	<u>1,784,602</u>	<u>2,212,278</u>	<u>427,676</u>	<u>2,077,216</u>
Fund balance - ending	<u>\$ 3,457,166</u>	6,098,946	<u>\$ 2,641,780</u>	<u>\$ 2,212,278</u>
Adjustment to GAAP basis:				
Interest receivable		<u>1,910</u>		
Net position - GAAP basis		<u>\$ 6,100,856</u>		

TRI-CITY SERVICE DISTRICT  
 (A Component Unit of Clackamas County, Oregon)  
 SUMMARY OF NET POSITION  
 BY FUND  
 for the year ended June 30, 2015

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Fund	Description	Net Position GAAP Basis
201	General Fund	\$ 42,249,009
202	System Development Charge Fund	1,355,964
205	State Revolving Loan Fund	(103)
209	Construction Fund	6,100,856
	Total Net Position	\$ 49,705,726

# Statistical Section



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## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	34
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue source: user fees.	36
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.	38
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.	40
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.	43

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

TRI-CITY SERVICE DISTRICT  
(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	Net Position
2006	\$ 47,829,136	\$ 2,193,429	\$ 7,833,300	\$ 57,855,865
2007	47,293,831	2,520,992	7,221,349	57,036,172
2008	43,353,751	3,769,440	7,687,017	54,810,208
2009	42,485,598	2,691,978	8,534,626	53,712,202
2010	41,408,645	2,364,189	9,277,358	53,050,192
2011	43,984,351	547,548	10,590,998	55,122,897
2012	44,095,142	779,726	8,117,477	52,992,345
2013	43,206,498	824,911	7,863,401	51,894,810
2014	41,379,824	1,062,390	7,974,119	50,416,333
2015	38,990,168	1,332,944	9,382,614	49,705,726

Source: District's Comprehensive Annual Financial Report

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

CHANGES IN NET POSITION  
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Operating revenues:</b>										
Sewerage charges	\$ 3,575,913	\$ 3,805,757	\$ 4,193,334	\$ 4,047,775	\$ 4,150,524	\$ 4,262,043	\$ 4,597,918	\$ 5,391,483	\$ 6,188,372	\$ 7,101,531
Pump station maintenance charges	10,278	-	-	-	1,125,220	4,877,816	246,358	711,756	348,655	498,555
Intergovernmental revenues	459,455	517,773	584,680	692,530	1,125,220	4,877,816	246,358	711,756	348,655	498,555
Other operating revenues	53,317	57,147	48,814	56,333	566,542	(421,824)	72,597	256,369	250,163	271,055
Total operating revenues	<u>4,098,963</u>	<u>4,380,677</u>	<u>4,826,828</u>	<u>4,796,638</u>	<u>5,842,286</u>	<u>8,718,035</u>	<u>4,916,873</u>	<u>6,359,608</u>	<u>6,787,190</u>	<u>7,871,141</u>
<b>Operating expenses:</b>										
Contracted salaries and benefits	2,187,131	1,729,922	1,761,940	1,767,790	1,901,624	2,056,000	2,032,633	2,226,661	2,218,110	2,220,985
Professional services	149,170	130,185	183,130	95,408	307,227	402,191	441,162	310,564	330,236	306,083
Laboratory services	-	229,499	253,990	263,613	268,635	269,265	290,332	295,917	263,337	292,811
Other County services	-	230,536	277,522	291,847	293,702	327,698	295,387	325,194	421,671	445,204
Supplies	592,609	484,792	506,603	685,573	613,043	590,176	638,717	745,411	939,592	924,591
Vehicle expenses	162,018	172,449	194,305	119,498	125,979	183,220	166,813	214,779	167,553	209,577
Repairs and maintenance	-	80,660	89,451	87,762	68,361	65,991	63,893	59,547	29,625	29,643
Utilities	590,574	618,531	668,224	711,955	699,809	554,556	806,086	773,434	781,182	813,661
Insurance	76,598	73,205	75,889	80,377	80,846	79,800	93,254	116,224	131,435	129,097
Other expenses	172,853	144,100	147,498	190,811	196,324	173,533	211,398	156,102	412,011	467,237
Depreciation and amortization	1,730,786	2,029,924	2,024,142	2,183,526	2,191,524	2,226,580	2,725,761	3,001,195	2,995,897	3,152,395
Total operating expenses	<u>5,661,739</u>	<u>5,923,823</u>	<u>6,182,694</u>	<u>6,478,160</u>	<u>6,747,074</u>	<u>6,929,010</u>	<u>7,765,436</u>	<u>8,225,028</u>	<u>8,690,649</u>	<u>8,991,284</u>
Operating income (loss)	<u>(1,562,776)</u>	<u>(1,543,146)</u>	<u>(1,355,866)</u>	<u>(1,681,522)</u>	<u>(904,788)</u>	<u>1,789,025</u>	<u>(2,848,563)</u>	<u>(1,865,420)</u>	<u>(1,903,459)</u>	<u>(1,120,143)</u>
<b>Nonoperating revenue (expense):</b>										
Interest income	407,903	432,080	386,854	228,743	44,854	56,316	38,236	43,813	27,246	54,365
Interest expense	(21,013)	(19,321)	(17,561)	(15,731)	(13,827)	(11,847)	(9,787)	(7,190)	(5,084)	(3,096)
Property taxes	(5,255)	(396)	(44)	-	-	-	-	-	-	-
Grants	-	-	-	1,500	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	(83,435)	(872,339)	(1,833,836)	(17,178)	(235,887)	(18,154)	46,095	(184,640)	(48,557)	2,737
Total nonoperating revenue (expense)	<u>298,200</u>	<u>(459,976)</u>	<u>(1,464,587)</u>	<u>197,334</u>	<u>(204,860)</u>	<u>26,315</u>	<u>74,544</u>	<u>(148,017)</u>	<u>(26,395)</u>	<u>54,006</u>
Income (loss) before contributions	<u>(1,264,576)</u>	<u>(2,003,122)</u>	<u>(2,820,453)</u>	<u>(1,484,188)</u>	<u>(1,109,648)</u>	<u>1,815,340</u>	<u>(2,774,019)</u>	<u>(2,013,437)</u>	<u>(1,929,854)</u>	<u>(1,066,137)</u>
<b>Contributions:</b>										
Connection charges	686,309	938,495	516,098	386,182	447,638	257,365	643,467	915,902	451,377	345,370
Capital contributions	44,034	244,934	78,391	-	-	-	-	-	-	10,160
Total contributions	<u>730,343</u>	<u>1,183,429</u>	<u>594,489</u>	<u>386,182</u>	<u>447,638</u>	<u>257,365</u>	<u>643,467</u>	<u>915,902</u>	<u>451,377</u>	<u>355,530</u>
<b>Change in net position</b>	<u>\$ (534,233)</u>	<u>\$ (819,693)</u>	<u>\$ (2,225,964)</u>	<u>\$ (1,098,006)</u>	<u>\$ (662,010)</u>	<u>\$ 2,072,705</u>	<u>\$ (2,130,552)</u>	<u>\$ (1,097,535)</u>	<u>\$ (1,478,477)</u>	<u>\$ (710,607)</u>

In 2009, the 2007 and 2008 statistics have been revised to reflect new categories.

Source: District's Comprehensive Annual Financial Report

**TRI-CITY SERVICE DISTRICT**  
 (A Component Unit of Clackamas County, Oregon)  
**MONTHLY SEWERAGE RATE AND SEWERAGE CHARGES REVENUE BY TYPE OF CUSTOMER**  
 Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Sewerage Rate</b>										
Monthly service charge	\$ 10.60	\$ 11.10	\$ 11.65	\$ 11.65	\$ 12.00	\$ 12.35	\$ 13.35	\$ 15.35	\$ 17.35	\$ 19.00
<b>Type of Customer</b>										
<b>Sewerage Charges</b>										
Cities <sup>(1)</sup>	\$ 3,406,106	\$ 3,668,017	\$ 4,041,439	\$ 3,899,616	\$ 4,007,261	\$ 4,117,476	\$ 4,447,446	\$ 5,219,665	\$ 6,007,072	\$ 6,909,626
Residential	127,140	117,360	129,096	129,954	130,416	130,977	131,304	149,100	159,945	173,006
Commercial	26,035	14,099	16,265	12,199	7,303	8,046	13,372	16,418	14,551	11,604
Industrial	11,592	1,240	990	462	-	-	-	-	-	-
Other	5,040	5,041	5,544	5,544	5,544	5,544	5,796	6,300	6,804	7,295
<b>Total</b>	<b>\$ 3,575,913</b>	<b>\$ 3,805,757</b>	<b>\$ 4,193,334</b>	<b>\$ 4,047,775</b>	<b>\$ 4,150,524</b>	<b>\$ 4,262,043</b>	<b>\$ 4,597,918</b>	<b>\$ 5,391,483</b>	<b>\$ 6,188,372</b>	<b>\$ 7,101,531</b>

Source: District's Records

<sup>(1)</sup> Cities of the District are Oregon City, West Linn, and Gladstone and account for more than ninety-five percent of total sewerage charges.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

PRINCIPAL RATEPAYERS WITHIN DISTRICT <sup>(1)</sup>  
Last Ten Fiscal Years

Type of Customer	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Wholesale:										
City of Oregon City	\$ 1,659,955	\$ 1,786,560	\$ 1,910,208	\$ 1,931,108	\$ 1,973,478	\$ 2,016,912	\$ 2,173,851	\$ 2,563,473	\$ 2,975,532	\$ 3,614,822
City of West Linn	1,266,017	1,349,631	1,572,612	1,408,952	1,454,904	1,504,384	1,627,985	1,910,728	2,169,789	2,383,462
City of Gladstone	480,134	531,826	558,619	559,556	578,879	596,180	645,610	745,464	861,751	911,342
Total	\$ 3,406,106	\$ 3,668,017	\$ 4,041,439	\$ 3,899,616	\$ 4,007,261	\$ 4,117,476	\$ 4,447,446	\$ 5,219,665	\$ 6,007,072	\$ 6,909,626

Source: District's Records

<sup>(1)</sup> Cities of the District are Oregon City, West Linn, and Gladstone and account for more than ninety-five percent of total sewerage charges.

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years

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Fiscal Year Ended June 30,	Loan Payable	Percentage of Personal Income	Per Capita
2006	\$ 458,735	0.017 %	\$ 7
2007	420,561	0.015	6
2008	380,853	0.013	6
2009	339,549	0.012	5
2010	296,585	0.010	4
2011	251,893	0.008	4
2012	205,405	0.006	3
2013	157,048	0.005	2
2014	106,748	N/A	2
2015	54,426	N/A	1

N/A: Not available

Source: District's records

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

OVERLAPPING GENERAL OBLIGATION BONDED DEBT  
June 30, 2015

Governmental Unit	Debt Outstanding	Percent Overlapping	Overlapping General Obligation Bonded Debt
<b>Debt repaid with property taxes</b>			
City of Oregon City	\$ 750,000	88.37 %	\$ 662,775
City of West Linn	16,605,000	99.99	16,603,340
Clackamas Community College	66,116,012	19.66	12,998,408
Clackamas County	98,780,000	14.41	14,234,198
Clackamas County School District #115 (Gladstone)	51,535,310	67.22	34,642,035
Clackamas County School District #12 (North Clackamas)	327,458,315	0.26	851,392
Clackamas County School District #3J (West Linn/Wilsonville)	252,766,741	47.22	119,356,455
Clackamas County School District #62 (Oregon City)	87,055,000	50.90	44,310,995
Clackamas County School District #7J (Lake Oswego)	101,024,917	0.38	383,895
Metro	193,205,000	3.55	6,858,778
Portland Community College	160,095,000	0.02	32,019
Tualatin Valley Fire & Rescue District	55,020,000	6.12	3,367,224
<b>Other Debt</b>			
City of Gladstone	1,695,000	68.27	1,157,177
City of Oregon City	20,497,772	88.37	18,113,881
Clackamas Community College	28,045,000	19.66	5,513,647
Clackamas County	1,400,000	14.41	201,740
Clackamas County Education Service District	23,405,000	15.20	3,557,560
Clackamas County Rural Fire Protection District #1	18,290,000	13.79	2,522,191
Metro	30,420,000	3.55	1,079,910
North Clackamas Parks & Rec District	9,925,000	0.00	
Port of Portland	65,302,566	3.26	2,128,864
Portland Community College	295,315,000	0.02	59,063
Tualatin Valley Fire & Rescue District	2,000,000	6.12	122,400
<b>Total overlapping debt</b>	<b>\$ 1,906,706,633</b>		<b>\$ 288,757,947</b>

Note:

- (1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. The State of Oregon provides overlapping debt data based on real market valuation of properties for each jurisdiction.
- (2) This schedule is provided for informational purposes only since Tri-City Service District has no bonded debt outstanding.

Source: Municipal Debt Advisory Commission, State of Oregon, Office of the Treasurer

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years

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Ended June 30,	Population Estimate	Personal Income <sup>1, 2</sup>	Per Capita Personal Income <sup>1, 2</sup>	Unemployment Rate (PMSA)
2006	65,210	\$ 2,698,259,380	\$ 41,378	5.4 %
2007	65,930	2,898,612,450	43,965	4.6
2008	66,440	2,976,711,320	44,803	4.8
2009	67,020	2,925,154,920	43,646	11.3
2010	67,325	3,026,528,050	44,954	9.9
2011	67,665	3,106,838,475	45,915	9.1
2012	68,965	3,330,043,990	48,286	7.8
2013	69,365	3,430,307,345	49,453	7.2
2014	70,310	N/A	N/A	6.1
2015	70,795	N/A	N/A	5.4

N/A: Not available

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

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

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

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

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

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

Sources:

(1) Statistics are the latest available data published in the Portland Business Journal *Book of Lists 2015* and *Book of Lists 2006*. The Business Journal *Book of Lists* ranks Portland Metropolitan Area employers.

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

TRI-CITY SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION  
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business & Financial Services	1	1	1	2	2	4	4	8	6	5
Asset & Capacity Management	2	2	2	1	1	1	1	3	2	2
Water Quality Services	16	13	14	14	15	14	13	15	14	17
Environmental Monitoring Services	2	4	4	4	3	4	3	2	2	1
<b>Total</b>	<u>21</u>	<u>20</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>23</u>	<u>21</u>	<u>28</u>	<u>24</u>	<u>25</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. Employees when possible, directly charge their time to appropriate service districts. Otherwise, their time is allocated. Hence, employee counts listed above are expressed in full time equivalents devoted to Tri-City Service District operations.

Source: District's records

**TRI-CITY SERVICE DISTRICT**  
(A Component Unit of Clackamas County, Oregon)

**OPERATING INDICATORS BY FUNCTION**  
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Business-type activities:</b>										
<b>Sewerage charges:</b>										
Monthly service charge	\$ 10.60	\$ 11.10	\$ 11.65	\$ 11.65	\$ 12.00	\$ 12.35	\$ 13.35	\$ 15.35	\$ 17.35	\$ 19.00
Total amount collected	\$ 3,575,913	\$ 3,805,757	\$ 4,193,334	\$ 4,047,775	\$ 4,150,524	\$ 4,262,043	\$ 4,597,918	\$ 5,391,483	\$ 6,188,372	\$ 7,101,531
Percentage increase/(decrease)	2.7	6.4	10.2	(3.5)	2.5	2.7	7.9	17.3	14.8	14.8
<b>Connection fees/EDU</b>										
Total amount collected	\$ 2,020	\$ 2,020	\$ 2,020	\$ 2,020	\$ 2,020	\$ 2,020	\$ 2,020	\$ 2,020	\$ 2,020	\$ 2,020
Percentage increase/(decrease)	\$ 686,309	\$ 938,495	\$ 516,098	\$ 386,182	\$ 447,638	\$ 257,365	\$ 643,467	\$ 915,902	\$ 451,377	\$ 345,370
	(9.1)	36.7	(45.0)	(25.2)	15.9	(33.4)	150.0	42.3	(50.7)	(23.5)
<b>Hydraulic treatment capacities</b>										
(in million gallons/day)	11	11	11	11	11	11	11	11.9	11.9	14.5
<b>Current flows</b>										
(in million gallons/day)	10.07	9.01	8.93	7.93	9.82	10.66	9.49	9.80	10.80	10.79

Source: District's Records

Footnote: 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.

**TRI-CITY SERVICE DISTRICT**  
 (A Component Unit of Clackamas County, Oregon)

**CAPITAL ASSET STATISTICS BY FUNCTION**  
 Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Sanitary sewer Treatment Plants	1	1	1	1	1	1	1	1	1	1
Pump Stations	4	4	4	4	4	4	4	4	4	4
Miles of pipe	17.25	17.25	17.25	17.25	17.25	17.25	17.25	17.25	19.07	19.07

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

Source: District's records

# 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  
Tri-City Service District  
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 Tri-City Service District (the District), a component unit of Clackamas County, Oregon as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Moss Adams, LLP*

Eugene, Oregon  
November 19, 2015

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

Board of County Commissioners of  
 Clackamas County, Oregon, as Governing Body of  
 Tri-City Service District  
 Oregon City, Oregon

We have audited the basic financial statements of Tri-City Service District (the District), a component unit of Clackamas County, Oregon, as of and for the years ended June 30, 2015, and have issued our report thereon dated November 19, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

**Compliance**

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

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

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

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

**Internal Control over Financial Reporting**

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

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

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

**Purposes of this Report**

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



James C. Lanzarotta, Partner  
for Moss Adams LLP  
Eugene, Oregon  
November 19, 2015



