

# **Comprehensive Annual Financial Report**

For the fiscal years ended

June 30, 2017 and 2016



CLACKAMAS RIVER WATER

CLACKAMAS, OREGON

CLACKAMAS RIVER WATER  
CLACKAMAS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal years ended June 30, 2017 and 2016

Prepared by:

Clackamas River Water  
Finance, Accounting and Customer Service Department

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# CLACKAMAS RIVER WATER

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# **INTRODUCTORY SECTION**



*Clackamas River Water*



December 29, 2017

Board of Commissioners of Clackamas River Water  
Clackamas, Oregon

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Clackamas River Water (CRW or the District) for the fiscal year ended June 30, 2017. This report was prepared by the District's Finance, Accounting and Customer Service (FACS) Department. The District is responsible for the accuracy, completeness, and reliability of all data presented, and representations contained herein, based upon a comprehensive framework of internal controls established for this purpose. We believe the data presented is accurate in all material aspects and that the manner in which it is presented fairly discloses the financial position of CRW at June 30, 2017, and the results of operations for fiscal year 2016-2017.

Moss Adams, LLP, Certified Public Accountants, have issued an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2017. The independent auditor's opinion is located on page 1 in the Financial Section of this report.

### **Generally Accepted Accounting Principles in the United States of America (GAAP)**

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report on the financial statements.

### **Description of the Reporting Entity**

This report includes all activities of CRW. The District is not a segment of the Clackamas County government, nor is it a component unit of any other government.

CRW was created on July 1, 1995, following consolidation of Clackamas Water District and Clairmont Water District. CRW operates as a domestic water supply district under provisions of Oregon Revised Statutes (ORS) Chapter 264. Clackamas Water District was originally formed in 1926 and took in the former Stanley Water District in 1979, followed by a merger with Barwell Park Water District in 1991. Clairmont was originally formed in 1959 and was merged with Redland and Holcomb-Outlook Water Districts in 1983. CRW has no potential component units.

A five member Board of Commissioners, elected at large to overlapping four-year terms, governs the District. The Board sets policy and appoints a General Manager, who is charged with management of the District.

The District's service area is in the southeastern section of the Portland metropolitan area, approximately 14 miles from downtown Portland. Access to the District is provided by four major highway systems: Interstate 205 and State Highways 212, 213 and 224. CRW's two service areas are located north and south of the Clackamas River

From the treatment plant, the District tests, treats and pumps water drawn from the Clackamas River to reservoir storage and then to customers through its distribution system. The service area north of the river is urbanized and is supplied water from the CRW treatment plant located along the river. Water from this plant is provided on a retail basis to direct users north of the river and to Sunrise Water Authority (SWA) on a wholesale basis.

The service area south of the Clackamas River is predominately rural. CRW buys the water necessary to serve that area from South Fork Water Board (SFWB) – jointly owned by the cities of Oregon City and West Linn and located in Oregon City.

### **General Framework**

CRW is organized into six departments. The six departments are the Board of Commissioners, Administration, Water Resources, System Operations, Engineering, and Finance, Accounting and Customer Service (FACS). For the 2015-2017 biennial budget, CRW has an authorized 40.2 full-time equivalent positions.

In addition to serving the customers of CRW, the District provides water quality laboratory testing services to other water providers, shares GIS, finance, contracting and procurement services with Sunrise Water Authority through an Oregon Revised Statutes (ORS) 190 agreement.

CRW's primary sources of operating revenues are from the sale of water and related fees. For fiscal year 2016-2017 water sales accounted for 97.1 percent of total operating revenues, down from 97.3 percent in fiscal 2015-2016.

### **Economic Condition and Outlook**

Preservation of a healthy financial condition and building upon it are primary goals of the District. Through consolidation, CRW has seen operational benefits due to economies of scale, elimination of redundant operations, and a better focus and impact on regional issues. The consolidation demonstrated to the public and surrounding agencies that such a cooperative "joining" benefits the area, as well as the participants, and has helped to lay the foundation for subsequent cooperative efforts.

Through fiscal year 2017 CRW has continued the activities spelled out in the agreement with SWA to share resources for the benefit of both agencies and their customers; the Clackamas Regional Water Supply Commission (CRWSC). For example, CRW has excess capacity at the water treatment plant and SWA has significant growth potential in their service area. CRW has agreed to set aside up to 10 million gallons per day (MGD) for use by CRWSC members like SWA. SWA currently purchases 2.5 MGD from the CRW water treatment plant. Operating efficiencies can be gained by producing higher volumes of water. Other resources will also be shared to benefit from economies of scale. Internal expertise available at each entity has been shared where appropriate to avoid costly external contracting and additional staffing. Integration efforts will proceed into the next few fiscal years.

The 1998 Water System Master Plan includes a host of water infrastructure improvements to be constructed over the next 20 years and the plan is reviewed annually to identify changes. Improvements will enhance service to existing residences and businesses, as well as prepare the system to serve new

customers. The original listing of projects was valued at \$50.7 million in capital improvements to be constructed through fiscal year 2008. The 2005 Water System Master Plan Update incorporates recent changes and additional projects to the 1998 plan. Work is in progress to complete a new water system master plan by June 30, 2018.

Capital improvement projects within the 10-year financial plan are prioritized for inclusion in annual budgets. Revenues from system development charges (SDCs) have provided a substantial portion of funding for many of the CIP projects. SDCs are collected from each new service connection to the system. To help ensure that growth pays its fair share of improvements to the system, the board adopted a new schedule of charges in April 1998, which provides for future adjustments tied to price index changes. The SDCs were last updated using that methodology effective July 2016. The District will update the SDC rate methodology after completion of the Water System Master Plan.

Water system costs are influenced by several notable factors:

- Compliance with the Federal Safe Drinking Water Act and other Federal and State regulations;
- Anticipated costs of storage and distribution facilities;
- Rehabilitation or replacement of other infrastructure as it reaches the end of its useful life;
- The desire to promote efficient use and prudent management of the water resource;
- The need to attract, train and retain a highly-skilled, competent workforce.

The Board periodically reviews rates, keeping conservation pricing in mind, to promote the efficient use of water resources. Customer water rate structures are designed to promote water conservation through increasing block rates. This pricing structure, along with an expanded effort to educate customers about efficient water use strategies, encourages prudent use of water resources and helps mitigate future needs for capacity expansion. The most recent rate increase was effective May 1, 2017, based upon a cost of service analysis and was included in Board adopted rate increases through 2021.

We encourage our commercial accounts to promote conservation and discourage peak usage. Commercial rates include an annual calculation based on the average winter consumption (AWC) for each commercial customer to measure peak usage. When a commercial customer's bi-monthly consumption exceeds one and one-half times (1.5 times) their AWC, they are charged at a rate 25.2 percent higher than the lower 'block' rate for the volume used beyond 1.5 times the AWC.

CRW's overall system provides water to approximately 12,800 service connections. These connections serve residential areas, commercial establishments, industrial facilities, public facilities such as schools and churches, irrigators, and wholesale customers. The total CRW service area population is estimated to be approximately 56,500 people. Population in Clackamas County is expected to grow slowly at an annual rate of one percent. The distribution of CRW's customers between urban and rural areas is two-thirds urban and one-third rural, consistent with the rest of the county.

CRW growth of new housing and businesses slowly increases. Factors that impact growth within CRW's service territory include National economic trends and Urban Growth Boundary adjustments by Metro Regional Government. Examples of growth that required new water services within CRW's boundary during the year include:

- 55 new domestic residential services
- 12 domestic commercial connections
- 1 fire protection service

Total new service connections were down by 12 connections compared with the prior year.



The District's diverse customer base, strong financial position, and ability to adjust the timing of capital expenditures will assist in maintaining the District's strength.

CRW's wholesale water agreement with SWA provides for the supply of water for up to 20 years. Historically, wholesale customers have used nearly one-half of the water produced and provided about 20 percent of the District's water sales revenue. This trend is changing with our wholesale customers using close to one-third of the water sold and providing about seven and one-half percent of the District's water sales revenue during fiscal year 2016-2017.

## **Major Initiatives**

Clackamas Regional Water Supply Commission was approved during fiscal year 2013-2014 under Oregon Revised Statutes (ORS) 190 for the sharing of services and resources between CRW and SWA. In fiscal year 2016-2017 the entities completed the development of the planning document which will be used to determine future demands and begin to outline future needs.

Beyond the actions described earlier, CRW sustains the ideology held by the Clackamas Water District and Clairmont Water District in preparing for and sharing in the economic opportunities of the area. Examples of this include:

- Playing an active role in the regional water supply planning effort in conjunction with providers in the Portland region;
- Participating in and monitoring legislation affecting water service and delivery;
- Coordinating planning efforts for urban service in undeveloped areas designated for urban development by comprehensive land use plans;
- Leasing of available office space;
- Exploring options for efficiency of operations with additional neighboring entities;
- Anticipating future growth and expansion needs: in 1991, CRW purchased 25 acres of land adjacent to the current treatment plant property.

These and other activities, including efforts to influence protection and conservation of the watershed continue today. The District continues its role in regional water supply, participating in the Regional Water Providers Consortium and implementation of the Regional Water Supply Plan.

Preservation and enhancement of the distribution system for all service areas is a continuing focus. CRW continues to make infrastructure investments that will maintain high levels of customer service and deliver quality drinking water. In FY 2016-2017, CRW spent over \$4.6 million on its capital program, including work on the numerous water line installations, and rehabilitation projects. Over \$3.1 million of the capital program projects consisted of projects known as the Backbone projects, funded by bonded debt issued in March 2016.

CRW has a long range plan that guides the Board and staff actions toward providing affordable, efficient, and reliable service. Part of that plan includes continued capital investment. In order to respond to system growth and provide dependable services, the plant and facilities must be maintained. In March 2016 CRW issued \$19,790,000 in bonds for construction of the capital projects intended to move water from the water treatment plant north of the Clackamas River to CRW customers south of the river at the Carver Bridge. Many of these projects have been anticipated in the water system master plan for many

years. The addition of water mains, reservoirs and pump stations in both the North and South service areas will improve fire flows, increase needed storage and provide for greater resiliency of our distribution system.

### **Fiscal Year 2017 in Review**

During fiscal year 2016-2017, the District was engaged in various efforts focused on infrastructure improvement and maintenance, services to customers, and financial planning and management activities. The following are brief descriptions of other significant activities that are completed or underway.

1. *District Engineering Design and Construction Activity.* The District continued to spend a portion of the CIP dollars on relocation of various waterlines related to state and county road work. The most significant portion was the Oregon Department of Transportation (ODOT) and Clackamas County activity at 82<sup>nd</sup> Avenue. The District is continuing work on the Carver Bridge water line project to connect the water system the north service area to some customers within the south service area. The Butterfield Lane transmission main project was the major project during FY 2016-17. Bonds were issued in March 2016 to fund many of these capital projects.
2. *CRW's participation in the CRWSC.* CRW has provided the following services to Sunrise Water Authority:
  - a. Financial management services by sharing the CFO and staff with SWA since January 2015
  - b. Contracting and Procurement Services
  - c. Information Technology support including hosting of data servers for SWA
  - d. GIS Services – a continuation of the MOU with SWA from the past
  - e. Water Quality testing, sampling and flushing within the SWA territory
  - f. SCADA monitoring and support
  - g. Administrative support for sale of SWA surplus vehicles
3. *Water Rate Review and Analysis.* In May 2017 CRW implemented year four of the eight year rate plan as approved by the Board of Commissioners. The approved rate structure will ensure sufficient resources for operations, capital improvements, and debt service coverage in compliance with debt covenants.

### **Financial Information**

1. *Controls.*
  - a. Internal Controls: The District operates within a system of internal accounting controls established to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded correctly according to District policies and procedures. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

This internal control process allows CRW to prepare financial reports that conform to generally accepted accounting principles and in accordance with Oregon statutes. CRW will continue to evaluate and improve the internal and budgetary control process.

- b. **Purchasing Controls:** The CRW Board of Commissioners updated Local Contract Review Board rules (LCRB) at their meeting on August 13, 2015. These rules will continue to be updated as needed to maintain compliance with statutory requirements. The LCRB guide the procurement coordinator and all CRW staff in appropriate purchasing activity.
- c. **Budgetary Controls:** CRW maintains accounting records by fund. The funds are described in the Notes to the Basic Financial Statements. CRW prepares a biennial budget by fund to control its fiscal year operations under the rules and statutes of the State of Oregon governing the budget process. The budget officer and District staff prepare a proposed detailed budget based on direction from the Board and submit it to a budget committee. The budget committee consists of the Board and five board-appointed individuals who reside within CRW boundaries. Following public notices published in newspapers, the committee meets. It may revise or approve the proposed budget in its public meetings. After the budget committee approves the proposed budget, the Board holds a public hearing on the approved budget. The Board adopts the budget and makes appropriations for all funds by major functional category. This allows CRW to expend funds for two fiscal years within the limits set by those appropriations. Appropriations adopted by the Board lapse at the end of the biennium.

CRW may adopt supplemental budgets to accommodate unexpected additional resources or major, unforeseen expenditure requirements. Adoption of a supplemental budget requires a similar process including hearings before the public, publication in newspapers, approval by the Board, and the formal adoption of appropriations. The Board may modify original and supplemental budgets, under specific statutory guidelines, through the use of specific appropriation transfers. During fiscal year 2017, the Board approved a supplemental budget to increase appropriations for General Fund Personnel Services and Materials and Services and increased Capital Outlay in the Capital Improvement Projects Fund. Use of Contingency and additional earned revenue in the General Fund and in the SDC Fund provided funding for these unanticipated expenditures in all categories.

- 2. **Operations Policy.** It is District policy to operate the water system without property tax support. The two elements of this policy are that (1) the system is operated to provide service to its residents and customers based upon the cost of the service, and (2) bonds issued for major improvements to the system are retired with revenue from water sales. Thus, although it has the authority to do so and has previously levied a small tax to retire debt, CRW does not currently use property taxes to finance general operations.

The District's operations policy also stipulates periodic review of wholesale and retail rates to ensure uniformity between policy and financial conditions. In March of 2014 the Board approved an eight year rate plan to provide revenue sufficient to meet financial reserve policies approved by the Board. The fourth year rate increase was effective with the June 30, 2017 bills, just prior to the fiscal year end.

- 3. **Financial Goals and Policies.** The District maintains a set of financial goals and policies to guide the Board and management on decisions that involve significant financial outcomes. The goals and policies address financial planning including long-term forecasting, capital planning and funding, and budgeting.

## **Awards**

*Comprehensive Annual Financial Report.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting

to CRW for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

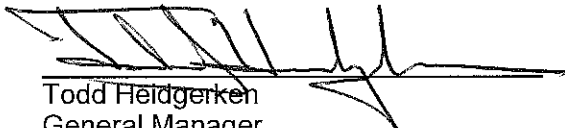
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and will again submit it to the GFOA to determine its eligibility for another certificate.

*Distinguished Budget Presentation Award.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Distinguished Budget Presentation Award to CRW for its Adopted Biennial Budget for the period beginning July 1, 2015. This award is the highest form of recognition in governmental budgeting and reflects a commitment by the governing body and staff to meet the highest principles of governmental budgeting. In order to receive the budget award, the entity must satisfy nationally recognized guidelines for effective budget presentation. The guidelines are designed to assess how well an entity's budget document serves as a policy document, financial plan, operational plan and a communications device. Budget documents must be rated proficient in all four categories, as well as fourteen mandatory criteria within those categories to receive the award.

### **Acknowledgements**

The preparation of this report could not have been accomplished without the dedicated services of CRW's staff. We wish to express our appreciation to all employees who continue to maintain the accounting systems and participate in preparation of the audit. Finally, we wish to thank you, the members of the Board of Commissioners, for your interest and support in planning and conducting the financial operations of CRW in a responsible and progressive manner.

Respectfully submitted,

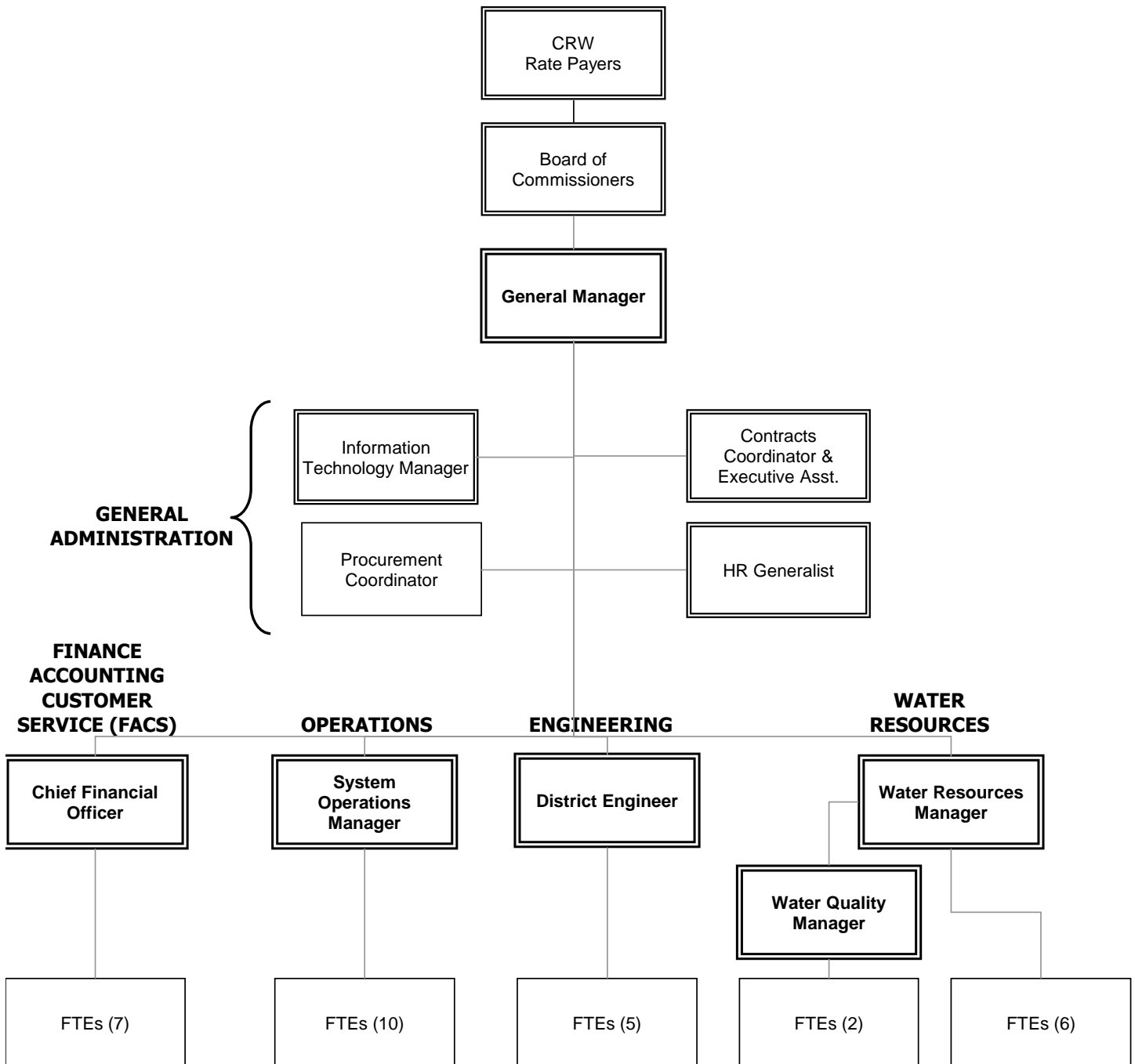


Todd Heidgerken  
General Manager



Carol Bryck, CPFO, CTP  
Chief Financial Officer

# Organizational Structure



Double Lines = Non Represented Employees

Bold Lines = Managers

**CLACKAMAS RIVER WATER**  
GOVERNING BODY UNDER ORS 264.410  
BOARD OF COMMISSIONERS  
16770 SE 82ND DRIVE  
P.O. BOX 2439  
CLACKAMAS, OREGON 97015

**Commissioners as of June 30, 2017**

<b>Name</b>	<b>Term Expires</b>
Naomi Angier, President	June 30, 2019
Hugh Kalani, Secretary	June 30, 2017
David McNeel, Treasurer	June 30, 2019
Larry Sowa, Commissioner	June 30, 2017
William Blanas, Commissioner	June 30, 2017

**Leadership Team**

Todd Heidgerken	General Manager
Carol Bryck	Chief Finance Officer
Robert George	District Engineer
Rob Cummings	Production Manager
Donn Bunyard	Emergency Preparedness Manager
Kham Keobounnam	Information Technology Manager
Adam Bjournstedt	System Operations Manager/ Principle Engineer
Joe Eskew	Engineering Manager
Suzanne DeLorenzo	Water Quality Manager
Adora Campbell	Human Resources Generalist



Government Finance Officers Association

**Certificate of  
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**Clackamas River Water  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

# **FINANCIAL SECTION**



*Clackamas River Water*



## **Report of Independent Auditors**

To the Board of Commissioners  
Clackamas River Water District

### **Report on Financial Statements**

We have audited the accompanying basic financial statements of Clackamas River Water District (the District), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenue, expense, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements.

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

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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

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

***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Clackamas River Water District as of June 30, 2017 and 2016, and the results of its operations and its cash flows 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, the schedule of proportionate share of the net pension liability, and schedule of contributions as identified in the table of contents 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.

***Other Information***

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

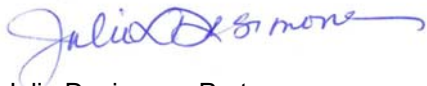
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The supplementary information (budgetary comparison information) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The supplementary 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 29, 2017, 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.



Julie Desimone, Partner  
for Moss Adams LLP  
Portland, Oregon  
December 29, 2017

**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 and 2016**

As management of Clackamas River Water (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at June 30, 2017 by \$58,498,910 (net position). \$2,467,722 of this is unrestricted net position, which may be used to meet ongoing obligations, while restricted or reserved net position of \$7,433,825 is held for debt service, pension, and capital projects. The balance, \$48,597,363, is net investment in capital assets.
- The District's net position increased by \$1,613,607, 2.8 percent, over the prior year. This is a result of increases in capital assets and wholesale and retail water rates as approved by the Board of Commissioners, offset by the change in accounting principle for pension accounting.
- Total Operating Revenues for fiscal year 2017 were \$11,712,389, an increase of \$518,325, 4.6 percent, over the prior year. The increase is mainly due to an increase in wholesale and retail rates effective July 1, 2015 and May 1, 2015 respectively. Operating Expenses before depreciation totaled \$8,507,450, a decrease of \$1,343,226, 13.6 percent, from fiscal year 2016, which is attributed primarily to the change in accounting principal for pension accounting and to an increase in capital projects and associated overhead charged to the capital project funds. The difference between operating revenues and expenses resulted in a Net Operating Gain totaling \$1,152,651, compared to a loss of (\$680,642) in fiscal year 2016.
- Capital assets, net of accumulated depreciation, totaled \$52,912,025 at June 30, 2017, an increase of \$3,282,190, 6.6%, from fiscal year 2016. Depreciation expense totaled \$2,052,288 and \$2,024,030 in fiscal years 2017 and 2016, respectively.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are included in the District's annual report and include the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows and notes to the financial statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements. This report also contains supplementary information.

The District is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the flow of economic resource measurement focus and the accrual basis of accounting.

**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2017 and 2016**

The Statement of Net Position provides information about the financial position of the District, including all of its capital assets and long-term liabilities. It follows the full accrual basis of accounting, similar to that used by corporations.

The Statement of Revenues, Expenses and Changes in Net Position presents the District's change in net position as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, the District's net position includes transactions that do not affect cash flow until future fiscal periods.

The Statement of Cash Flows depicts changes in the District's cash flow resulting from current year operations. It's prepared using the direct method and includes a reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

Budgetary fund statements are included in the supplementary information section of this report. These statements provide more detailed information about the District's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with budgetary legal requirements.

### **Financial Analysis**

A summary of the District's Statement of Net Position at June 30, is as follows:

**Condensed Statement of Net Position**

	2017	2016	Difference 2017-2016	Percent Change	2015 Restated
<b>Assets</b>					
Current assets	\$35,064,373	\$36,612,842	(\$1,548,469)	-4.2%	\$11,572,657
Other assets	-	-	-	NA	905,788.00
Capital assets	52,912,025	49,629,835	3,282,190	6.6%	49,706,798
Total Assets	<u>87,976,398</u>	<u>86,242,677</u>	<u>1,733,721</u>	<u>2.0%</u>	<u>62,185,243</u>
Deferred Outflows	3,051,502	704,492	2,347,010	333.1%	399,300
Total Assets and Deferred Outflows	<u>91,027,900</u>	<u>86,947,169</u>	<u>4,080,731</u>	<u>4.7%</u>	<u>62,584,543</u>
<b>Liabilities</b>					
Current liabilities	2,475,910	1,940,442	535,468	27.6%	1,499,237
Non-current liabilities	29,829,139	27,594,041	2,235,098	8.1%	2,933,118
Total Liabilities	<u>32,305,049</u>	<u>29,534,483</u>	<u>2,770,566</u>	<u>9.4%</u>	<u>4,432,355</u>
Deferred Inflows	223,941	527,385	(303,444)	-57.5%	1,747,804.00
Total Liabilities and Deferred Inflows	<u>32,528,990</u>	<u>30,061,868</u>	<u>2,467,122</u>	<u>8.2%</u>	<u>6,180,159</u>
<b>Net Position</b>					
Net investment in capital assets	48,597,363	46,355,623	2,241,740	4.8%	47,205,145
Restricted	7,433,825	7,412,178	21,647	0.3%	5,633,316
Unrestricted	2,467,722	3,117,500	(649,778)	-20.8%	3,565,923
Total net position	<u>\$58,498,910</u>	<u>\$56,885,301</u>	<u>\$1,613,609</u>	<u>2.8%</u>	<u>\$56,404,384</u>
Total Liabilities and Net Position	<u>\$91,027,900</u>	<u>\$86,947,169</u>	<u>\$4,080,731</u>	<u>4.7%</u>	<u>\$62,584,543</u>

**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2017 and 2016**

- Total assets increased this fiscal year by \$4,080,731, 4.7 percent, and totaled \$91,027,900, \$86,947,169 and \$62,584,543 for fiscal years ended June 30, 2017, 2016 and 2015, respectively. Capital assets increased by \$3,282,190, 6.6 percent, and deferred pension by \$2,347,010, 333.1 percent, which was offset in part by small decreases in several current assets that together total \$1,548,469 in reductions. In fiscal year 2016, total assets increased by \$24,362,626 compared to fiscal year 2015. Each of the current asset categories except supplies inventory showed growth in fiscal year 2016, particularly cash and cash equivalents (unrestricted and restricted) due to the new 2016 Bond Issuance. Capital assets decreased slightly each year from fiscal year 2014 through fiscal year 2016; accumulated depreciation was greater than additions to capital assets.

- Deferred outflows increased \$2,347,010, 333.1 percent, in the current fiscal year, totaling \$3,051,502, \$704,492, and \$399,300, respectively, for 2017, 2016 and 2015. Deferred outflows pertain to delayed charges on pension and bonded debt.

- Total liabilities and deferred inflows increased 8.2 percent during fiscal year 2017, with balances of \$32,528,990, \$30,061,868 and \$6,180,159 for fiscal years ended June 30, 2017, 2016, and 2015, respectively. Current liabilities increased by \$535,468, 27.6 percent, during the current fiscal year. Increases of \$443,091 in accounts payable and \$101,366 in accrued interest were offset slightly by a net decrease in the other current liability accounts. Non-current liabilities increased by \$2,235,098, 8.1 percent, due mainly to an increase in net pension liability. Total liabilities for fiscal year 2016 increased by \$25,102,128 due mainly to a new water bond payable for \$19.79 million entered into in March 2016. Proceeds fund major construction activities of the District including additions, replacements, and improvements for storage, transmission, distribution, supply and treatment facilities.

- Deferred inflows is the net pension liability resulting from a change in accounting principle for pension accounting. This liability decreased by \$303,444, 57.5 percent, in fiscal year 2017 and totaled \$223,941, \$527,385 and \$1,747,804 for fiscal years 2017, 2016 and 2015, respectively.

- Net position may serve as a useful indicator of the District's financial position. As of June 30, 2017, 2016, and 2015, assets exceeded liabilities by \$58,498,910, \$56,885,301 and \$56,404,384, respectively, an increase of \$1,613,607, 2.8 percent, over fiscal year 2016. This is due in part to an increase in net investment in capital assets, which was offset somewhat by a decrease in unrestricted net position. Restricted net position totaled \$7,433,825 in fiscal year 2017, an increase of \$21,647, 0.3 percent, compared to fiscal year 2016. It accounts for 12.7 percent of the total net position and is restricted or reserved by debt covenants or other legal requirements. Unrestricted net position is normally used to finance day-to-day operations. It totaled \$2,467,722 at June 30, 2017, a decrease of \$649,778, 20.8 percent, compared to the prior fiscal year. In fiscal year 2016 net position increased by \$480,917, 0.9 percent, over fiscal year 2015. Net investment in capital assets decreased by \$849,522, restricted net position increased by \$1,778,862, and unrestricted net position decreased by \$448,423 over fiscal year 2015.

**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2017 and 2016**

A summary of Change in Revenue, Expenses, and Net Position as of June 30 is presented as follows:

Summary of Change in Revenues and Expenses and Net Position

	2017	2016	Difference 2017-2016	Percent Change	2015 Restated
Operating Revenues:					
Water sales	\$11,368,920	\$10,887,335	\$481,585	4.4%	\$9,955,874
Other	343,469	306,729	36,740	12.0%	201,576
Total Operating Revenues	11,712,389	11,194,064	518,325	4.6%	10,157,450
Nonoperating Revenues:					
Interest earnings	356,281	117,890	238,391	202.2%	42,650
Rental income	104,818	108,272	(3,454)	-3.2%	104,801
Other	207,842	306,779	(98,937)	-32.3%	177,677
Total Revenues	12,381,330	11,727,005	654,325	5.6%	10,482,578
Operating Expenses					
Water Resources	3,241,595	3,287,224	(45,629)	-1.4%	2,445,624
System Operations	1,590,409	1,893,554	(303,145)	-16.0%	1,002,488
Finance, Accounting and Customer Service	1,156,046	1,411,476	(255,430)	-18.1%	841,856
Administrative Services	1,649,556	2,239,563	(590,007)	-26.3%	1,540,718
Engineering	827,981	709,806	118,175	16.6%	261,016
Board of Commissioners	127,115	178,896	(51,781)	-28.9%	89,021
CRWSC Activity	186,230	323,015	(136,785)	-42.3%	25,593
Less:					
Overhead, equipment and labor capitalized	(271,482)	(192,858)	(78,624)	40.8%	(156,987)
Subtotal	8,507,450	9,850,676	(1,343,226)	-13.6%	6,049,329
Depreciation	2,052,288	2,024,030	28,258	1.4%	1,905,567
Loss from disposal of capital assets	-	-	-	NA	438
Interest expense	869,265	153,915	715,350	464.8%	54,033
Total Expenses	11,429,003	12,028,621	(599,618)	-5.0%	8,009,367
Income (loss) before capital contributions	952,327	(301,616)	1,253,943	-415.7%	2,473,211
Capital Contributions & SDCs	661,280	782,532	(121,252)	-15.5%	556,353
Increase in to Net Position	1,613,607	480,916	1,132,691	235.5%	3,029,564
Total Net Position - Beginning	56,885,301	56,404,384	480,917	0.9%	55,022,120
Accum. Adj due to Change in Acct Principle					(1,647,300)
Cummulative effect of Restatement					
Total Net Position - Ending	\$58,498,908	\$56,885,300	\$1,613,608	2.8%	\$56,404,384

## Revenues

Total revenues increased \$654,326, 5.6 percent, for fiscal year 2017. Total revenue was \$12,381,330, \$11,727,005 and \$10,482,578 for fiscal years ended June 30, 2017, 2016 and 2015, respectively. Increases in operating revenues were due to water sales, which increased by \$481,585, \$931,461 and \$1,140,541 in fiscal years 2017, 2016 and 2015, respectively, due to rate increases effective May 1, 2015 (retail) and July 1, 2015 (wholesale). Non-operating revenues increased by \$136,000, 25.5 percent, in the current fiscal year. This was due to an increase in interest on revenue bond proceeds of \$238,391 that was partially offset by a decrease in payments

**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2017 and 2016**

from Sunrise Water Authority for the use of CRW equipment and services rendered under the ORS190 Agreement. Fiscal year 2016 total revenue increased \$1,244,428, 11.9 percent, over fiscal year 2015. Water sales increased due to rate increases. Non-operating revenues increased by \$207,813, or 63.9 percent, due to interest on revenue bond proceeds and payments from Sunrise Water Authority for services rendered.

**Expenses**

Expenses incurred by the District totaled \$8,507,450, \$9,850,676 and \$6,049,329 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. Fiscal year 2017 expenditures decreased in all departments except Engineering, for a total reduction of \$1,343,226, 13.6 percent. This contrasts with fiscal year 2016 expenses, which increased by 62.8 percent over 2015. In each case, the changes were due principally to a change in accounting principle for pension expense (Additional information is provided in "Impact of GASB 68" below).

The District has six departments: Water Resources; System Operations; Finance, Accounting and Customer Service; Engineering; Administrative Services and the Board of Commissioners. Water Resources is responsible for the District's water sources. They treat, filter, and pump water from the water treatment plant to storage facilities for distribution to our customers, and supplement production with water purchases from other agencies. They also, ensure water quality and promote conservation. System Operations provides preventive maintenance, repairs, and improvements to our water distribution system and other supply infrastructure: waterlines, reservoirs, pumping stations. Finance, Accounting and Customer Service is responsible for accounting, reporting, billing, and customer services activities. Engineering provides professional engineering support as it relates to the District's water system and capital improvement program. Administrative Services oversees general management and operation of the District including administrative duties, procurement, human resources, information systems, and emergency preparedness. The Board sets District policy and priorities, adopts ordinances and the budget, hires and evaluates the General Manager and oversees District performance.

- Water Resource department expenditures totaled \$3,241,595, \$3,287,224 and \$2,445,624 for fiscal years 2017, 2016 and 2015, respectively. Fiscal year 2017 experienced a decrease of \$45,629, 1.4 percent, in expenses compared to fiscal year 2016. For both fiscal years 2017 and 2016, most of the fluctuation between years is a result of the change in accounting principle for pension expense. In fiscal year 2017, much of it was offset by a significant increase in payments to Oregon City for outstanding joint user accounts, as well as increases in building and grounds maintenance, outside engineer services, promotional items and water treatment specialist wages. Fiscal year 2016 expenses increased by 841,600 over 2015. In addition to the increase in pension expense, costs also climbed in the following areas: water purchases; personnel services; electrical safety training and consulting; cleaning and survey of water treatment plant intake; and dues and memberships (Regional Water Providers Consortium, Clackamas River Water Providers).

- System Operations expenses decreased by \$303,145, 16.0 percent in fiscal year 2017, compared to fiscal year 2016. This was due predominantly to a substantial reduction in pension expense. Expenses increased by \$891,066, 88.9 percent, in fiscal year 2016 over 2015. The primary reason was increases in pension, as well as personnel services and contract work to support installation of new services.

- Finance, Accounting and Customer Service (FACS) department expenditures totaled \$1,156,046, \$1,411,476, and \$841,856 during fiscal years 2017, 2016 and 2015 respectively. Fiscal



**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2017 and 2016**

year 2017 decreased by \$255,430, 18.1%, due to a large decrease in pension expense, as well as significant reductions in contract work, legal services and bank charges; fiscal year 2016 included fees for issuance of the Series 2016 Bond proceeds and charges for temporary staff. Fiscal year 2016 expenses exceeded 2015 by \$569,620, 67.7 percent. The majority of the increase is due to the change in accounting principle for pension expense. The department also recognized increases in credit card processing fees, bank and legal fees for bond issuance, and two temporary staff. These costs were partially offset by reductions in salaries due to the sharing of resources under the ORS190 partnership with Sunrise Water Authority.

- Engineering department expenditures increased by \$118,175, 16.6 percent, in fiscal year 2017, which is less than the \$448,790, 171.9 percent increase in fiscal year 2016 compared to fiscal year 2015. In fiscal year 2017, rising costs of outside engineering services and other contract work pertaining to Backbone construction projects more than offset the decrease in pension costs and reduced wages that resulted from capitalizing labor for staff time spent on construction projects. The 2016 increase is due predominantly to a change in accounting principal for pension expense, along with rising personnel service costs and an additional engineer to assist with the influx in construction projects.

- Administrative Services expenses in fiscal year 2017 decreased by \$590,007, 26.3 percent, from fiscal year 2016. The change in accounting principal for pensions was by far the greatest factor, however building maintenance, contract work, computer hardware and software, and emergency communications and preparedness equipment also decreased substantially. Fiscal year 2016 expenditures increased by \$698,845, 45.4 percent, over fiscal year 2015. Pension expense was the primary contributor, while others include personnel services, emergency preparedness, and bond project viability and wholesale water rate reviews. These costs were offset somewhat by reductions in legal expenses and general liability insurance.

- Board of Commissioners' expenditures decreased in 2017 by \$51,781, 28.9 percent due primarily to the significant reduction in pension expense. Fiscal year 2016 increased by \$89,875, or 101.0 percent, over 2015 and is attributed mostly to the change in accounting principle for pension expense. In addition, expenses include a recruitment fee for the new General Manager and an increase in Commissioner's stipends; more commissioners claimed the stipend in FY16 than FY15 and there were an increased number of meetings. Expenses were offset to some degree by a decline in the need for executive assistance to the Board.

- Clackamas Regional Water Supply Commission expenditures decreased by \$136,785, 42.3 percent, in fiscal year 2017 from 2016 due to a reduction in shared services provided under the ORS 190 partnership formed in Fiscal year 2014 between Clackamas River Water and Sunrise Water Authority. This substantial decrease follows a greater increase in expenses between fiscal years 2016 and 2015 of \$297,422 (1,162.1% increase) brought about by continuing efforts to identify areas to share resources and improve efficiencies under the ORS190 partnership. Materials and services received by Clackamas River Water from Sunrise Water Authority from fiscal years 2014 to 2016 pertain to CRWSC administration, engineering, governmental affairs, and information technology.

- The amount of labor, overhead and equipment capitalized increased by \$78,624 (40.8%), and \$35,871 (22.8%) for fiscal years 2017 and 2016, respectively. This rise is due to ongoing efforts

**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2017 and 2016**

to implement Backbone capital improvement projects funded by the Series 2016 Water Revenue Bonds.

Depreciation expense increased \$28,258, 1.4 percent in fiscal year 2017 from 2016. Depreciation expense was \$2,052,288, \$2,024,030 and \$1,905,567 for fiscal years ended June 30, 2017, 2016, and 2015, respectively. Interest expense was \$869,265, \$153,915, and \$54,033 for fiscal years ended June 30, 2017, 2016, and 2015, respectively. Interest expense increased significantly in fiscal years 2017 and 2016 due to the addition of the new 2016 bond interest.

**Capital Assets**

At June 30, 2017, the District had \$52,912,025 invested in a broad range of capital assets net of accumulated depreciation, including land, buildings, machinery, pump stations, reservoirs, distribution systems and construction-in-progress. The District had \$4,625,001 in additions or transfers during fiscal year 2017. Of that amount, \$3,121,333 of additions were for improvements for the water distribution system. The District expensed \$2,052,288 in depreciation in fiscal year 2017 and had \$5,138,568 of construction-in-progress at June 30, 2017. Additional information on capital assets can be found in note 5 of the Notes to the Basic Financial Statements.

**Debt Administration**

The District's bonded debt is revenue bonds (debt to be retired by revenue sources other than taxes). On March 4, 2016 the district issued \$19,790,000 in Water Revenue Bonds with an average interest rate of 4.20 percent to finance capital improvements to the District's facilities and to pay costs of issuance of the Series 2016 bonds. Additional information regarding the District's long term debt can be found in note 6 of the Notes to the Basic Financial Statements.

**Impact of GASB 68**

Beginning with fiscal year 2015, the District applied a new pension reporting standard to the financial statements, GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The primary objective of GASB No. 68 is to improve accounting and financial reporting for pensions by state and local governments. PERS is considered a multiple-employer cost-sharing plan under GASB 68, and is required to recognize a liability / (asset) for its proportionate share of the collective net pension liability / (asset).

GASB 68 has a significant impact on the financial statements. It requires a large accumulated adjustment to net position and affects pension expense, noncurrent liabilities, and deferred inflows and outflows. The actuarial calculations provided by the Oregon State PERS retirement system for fiscal years 2017 and 2016 indicated a net pension liability, whereas fiscal year 2015 calculations resulted in a net pension asset. Further discussion on the implementation of GASB 68 can be found below and in the note 12 of the Notes to the Basic Financial Statements.

CRW joined the State and Local Government Rate Pool (SLGRP) for purposes of determining contribution rates. Members joining the SLGRP have a pension transition to match current members in the SLGRP.

A net pension liability was recorded in the statement of net position in the amount of \$5,381,562, an increase of \$3,130,255, 139.0 percent, above 2016. The expense is the District's share of the

**CLACKAMAS RIVER WATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2017 and 2016**

collective net pension expense from the pension system's actuary for fiscal year 2014-15 rolled forward to June 30, 2016 as required by GASB 68.

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

The Board of Commissioners adopted the District's first biennial budget for 2015-2017 on June 11, 2015. The adoption of the budget provides funding for the District's operation, capital and debt service costs for the 2016 and 2017 fiscal years. Several capital projects are funded in this budget including but not limited to the following:

- Waterline relocations and adjustments to water mains and services necessitated by transportation-related improvements by surrounding cities, and the Oregon and Clackamas County Departments of Transportation and Development: Archer Dr. and Fawn Dr., Curtis Ct. and Forsythe Rd., Edgewood St., Leland Rd., Monterey Ave., Redland Rd. and Neibur Rd., Tolbert Rd., and Sunrise JTA.
- Design and construction of Carver Bridge transmission intertie and main (Phase 2);
- Arc-Flash (electrical safety) analysis and upgrades to pump stations to comply with NFPA 70E, "Handbook for Electrical Safety in the Workplace" standards.
- Repair original Water Treatment Plant intake structure.

The water rates are reviewed by staff and the Board of Commissioners on an annual basis. Water rates were approved March 31, 2014 to increase May 1, each year from 2014 through 2021.

**Request for Information**

Our financial report is designed to provide our ratepayers, investors and creditors with a general overview of the District's finances. Questions about this report or clarification of information may be directed to Chief Finance Officer at Clackamas River Water, 16770 SE 82<sup>nd</sup> Dr. (PO Box 2439), Clackamas, OR 97015.

# **BASIC FINANCIAL STATEMENTS**



*Clackamas River Water*

**CLACKAMAS RIVER WATER  
STATEMENT OF NET POSITION  
as of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 3,966,849	\$ 4,643,860
Cash held for customer deposits	145,996	164,480
Accounts receivable, net	2,369,202	2,271,372
Supplies inventory	195,121	184,385
Prepaid expenses and other receivables	<u>134,579</u>	<u>232,194</u>
Current assets - unrestricted	<b>6,811,747</b>	<b>7,496,291</b>
Cash and cash equivalents - restricted	<u>28,252,626</u>	<u>29,116,551</u>
Total current assets	<b><u>35,064,373</u></b>	<b><u>36,612,842</u></b>
Noncurrent Assets:		
Capital assets not being depreciated	7,580,071	3,128,201
Capital assets, net of accumulated depreciation	<u>45,331,954</u>	<u>46,501,634</u>
Total noncurrent assets	<b><u>52,912,025</u></b>	<b><u>49,629,835</u></b>
<b>TOTAL ASSETS</b>	<b>87,976,398</b>	<b>86,242,677</b>
<b>DEFERRED OUTFLOWS</b>		
Deferred Pension	2,970,868	618,564
Deferred charges on bonded debt	<u>80,634</u>	<u>85,928</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>\$ 91,027,900</u></b>	<b><u>\$ 86,947,169</u></b>

**CLACKAMAS RIVER WATER  
STATEMENT OF NET POSITION  
as of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 870,276	\$ 427,185
Accrued expenses	374,548	421,827
Current portion of capital lease	22,179	22,229
Customer deposits and prepaid revenue	201,307	182,967
Accrued interest	164,342	62,976
Current portion of bonds payable	843,258	823,258
Total current liabilities	<u>2,475,910</u>	<u>1,940,442</u>
Noncurrent liabilities:		
Capital Lease Payable	50,315	72,494
Transitional liability	732,485	762,205
Net pension liability	5,381,562	2,251,307
Bonds payable	23,664,777	24,508,035
Total noncurrent liabilities	<u>29,829,139</u>	<u>27,594,041</u>
<b>TOTAL LIABILITIES</b>	<u>32,305,049</u>	<u>29,534,483</u>
<b>DEFERRED INFLOWS</b>		
Deferred pension	223,941	527,385
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<u>\$ 32,528,990</u>	<u>\$ 30,061,868</u>
<b>NET POSITION:</b>		
Net investment in capital assets	48,597,363	46,355,623
Restricted for: Debt service	249,286	346,286
Capital expenditures	6,027,705	5,921,267
Rate stabilization	1,156,834	1,144,625
Unrestricted	2,467,722	3,117,500
<b>TOTAL NET POSITION</b>	<u>58,498,910</u>	<u>56,885,301</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	<u><u>\$ 91,027,900</u></u>	<u><u>\$ 86,947,169</u></u>

**CLACKAMAS RIVER WATER**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**for the years ended June 30, 2017 and 2016**

		<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES:</b>			
Water sales	R1	\$ 11,368,920	\$ 10,887,335
Water service connections fees	R2	114,559	114,390
Water service extension fees	R3	29,821	46,187
Service charges on past due accounts	R4	67,652	75,777
Miscellaneous	R5	131,437	70,375
Total operating revenues		<u><b>11,712,389</b></u>	<u><b>11,194,064</b></u>
<b>OPERATING EXPENSES:</b>			
Water resources	OE1	3,241,595	3,287,224
System operations	OE2	1,590,409	1,893,554
Finance, accounting and customer service	OE3	1,156,046	1,411,476
Administrative services	OE6	1,649,556	2,239,563
Engineering	OE5	827,981	709,806
Board of commissioners	OE7	127,115	178,896
CRWSC activity	OE9	186,230	323,015
Less: Capitalized labor and overhead	OE4	(271,482)	(192,858)
Depreciation and amortization	OE8	2,052,288	2,024,030
Total operating expenses		<u><b>10,559,738</b></u>	<u><b>11,874,706</b></u>
<b>NET OPERATING GAIN (LOSS)</b>		<u><b>1,152,651</b></u>	<u><b>(680,642)</b></u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest expense, net	NO2	(869,265)	(153,915)
Interest earnings on cash equivalents	NO3	356,281	117,890
Rental income	NO4	104,818	108,272
Other	NO7	207,842	306,779
Total nonoperating revenues		<u><b>(200,324)</b></u>	<u><b>379,026</b></u>
<b>GAIN (LOSS) BEFORE CONTRIBUTIONS</b>		<u><b>952,327</b></u>	<u><b>(301,616)</b></u>
<b>SYSTEM DEVELOPMENT CHARGES</b>		262,468	644,487
<b>CAPITAL CONTRIBUTIONS</b>		<u>398,812</u>	<u>138,045</u>
<b>CHANGE IN NET POSITION</b>		<b>1,613,607</b>	<b>480,917</b>
<b>NET POSITION - BEGINNING OF YEAR</b>		56,885,301	56,404,384
<b>NET POSITION - END OF YEAR</b>		<u><u><b>\$ 58,498,908</b></u></u>	<u><u><b>\$ 56,885,301</b></u></u>

**CLACKAMAS RIVER WATER  
STATEMENTS OF CASH FLOWS  
for the years ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 11,378,536	\$ 10,857,399
Cash payments to suppliers for goods and services	(3,474,387)	(4,236,366)
Cash payments to employees for services	(4,328,189)	(4,240,789)
Other receipts	205,486	238,725
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,781,446</b>	<b>2,618,970</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal paid on revenue bonds	(695,000)	(365,000)
Interest paid on revenue bonds, net of amount capitalized	(996,475)	(233,802)
Net proceeds on bond issuance		23,008,110
Proceeds from sale of capital assets	4,135	28,846
System development charges received	262,468	663,395
Acquisition and construction of capital assets	(4,625,001)	(1,316,819)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(6,049,873)</b>	<b>21,784,731</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Rents received	105,075	111,272
CRWSC - Shared Resources	224,983	262,319
Right of Way fee - Oregon City	22,667	17,591
<b>NET CASH FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>352,726</b>	<b>391,183</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	356,281	117,890
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>356,281</b>	<b>117,890</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,559,420)</b>	<b>24,912,773</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>33,924,891</b>	<b>9,012,118</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 32,365,471</b>	<b>\$ 33,924,891</b>
<b>STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash and cash equivalents	\$ 3,966,849	\$ 4,643,860
Cash held for customer deposits	145,996	164,480
Restricted cash	28,252,626	29,116,551
	<b>\$ 32,365,471</b>	<b>\$ 33,924,891</b>

See notes to basic financial statements



**CLACKAMAS RIVER WATER**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**for the years ended June 30, 2017 and 2016**

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**RECONCILIATION OF OPERATING GAIN TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:**

	<u>2017</u>	<u>2016</u>
Operating income (loss)	<u>\$ 1,152,651</u>	<u>\$ (680,642)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,052,288	2,024,030
Capitalized labor and overhead	(271,482)	(192,858)
Pension Expense - GASB 68	444,787	1,666,858
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(97,830)	(108,084)
Supplies inventory	(10,736)	163
Prepaid expenses	97,615	(19,491)
Increase (decrease) in:		
Accounts payable	443,091	(203,115)
Accrued expenses	(47,279)	107,322
Prepaid revenue	18,340	24,788
Total adjustments	<u>2,628,794</u>	<u>3,299,613</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><b>\$ 3,781,445</b></u>	<u><b>\$ 2,618,971</b></u>

**Supplemental schedule of noncash investing  
and capital financing activities:**

Donated capital assets	<u>\$ 398,812</u>	<u>\$ 138,045</u>
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CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. CLACKAMAS RIVER WATER**

Clackamas River Water (the "District") is an independent domestic water supplier and distributor organized under the provisions of Oregon Revised Statutes Chapter 264. The District has served water customers within its two service area boundaries (north and south), as well as other water districts in Clackamas, Oregon, since 1995.

The District is a consolidation of the former Clackamas Water District, Stanley Water District, Barwell Park Water District, Clairmont Water District and Redland and Holcomb-Outlook Water District. The consolidation of these districts occurred between 1926 and 1995.

The District holds a permit that allows approximately forty million gallons of water per day ("MGPD") of water intake through its four intake locations on the Clackamas River. The District's water treatment plant has the capacity to treat approximately 30 MGPD and currently sells an average of seven MGPD to its customers. The District's 14 reservoirs hold excess treated water available for sale.

The District is governed by a five-member Board of Commissioners elected by the voters within the service area boundaries. Administrative functions are delegated to management employees who are responsible to the Board.

In November 2013, Clackamas River Water entered into an intergovernmental agreement with Sunrise Water Authority to efficiently use assets and resources to the mutual benefit of both parties and their customers. The Clackamas Regional Water Supply Commission (CRWSC) is an ORS190 agreement with its own Board of Commissioners, budget and management provided from the two agencies. Funding is from a combination of cash contributions and water sales.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Accounting:**

For financial reporting purposes, the District reports on an enterprise fund basis. Enterprise funds, a proprietary fund type, are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the Statement of Net Position. The District's net position is segregated into three amounts: net investment in capital assets, restricted and unrestricted.

The District's basic financial statements are prepared on the accrual basis of accounting, which is in accordance with generally accepted accounting principles (GAAP) in the United States of America for proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of the timing of related cash flows.

The District has implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reports for Pension*, effective July 1, 2014. The Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures. The District has also recognized a transitional liability related to entering into the State and Local Government Rate pool (SLGRP).

All of the District's activities are included in its financial statements. The District has no component units (separate organizations that have significant operations or financial relationships with the District) or internal service funds (separate departments that provide goods or services to other departments on a cost-reimbursement basis) to consider for inclusion in its financial statements.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Basis of Presentation and Accounting:** (continued)

The District has prepared the financial statements in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

While not a formal policy, when both restricted and unrestricted resources are available, the District has historically used unrestricted resources first and then restricted resources as needed.

**Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents:**

For financial reporting purposes, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition and State of Oregon Local Government Investment Pool (LGIP) deposits.

The District maintains a pool of cash and cash equivalents that are available for use by all funds. Interest earned on the pooled cash and cash equivalents is allocated to participating funds based on their respective shares of the balances.

The District's investment policy, adopted by the Board of Commissioners, is limited to the type of investments legally allowed under Oregon Revised Statutes.

Investments are valued at fair value as required by GASB 72. The difference between fair value and cost is not material. The District's investments, authorized under state statutes and the District's investment policy, are comprised of amounts deposited in the LGIP.

**Accounts Receivable:**

Accounts receivable represent user charges, which are recognized as earned and unsecured.

Management determines receivables to be past due based on individual circumstances and writes off accounts when they are determined to be uncollectible. The District's collection program includes applying service charges to past due accounts, extending payment terms and, if needed, discontinuing water services. The District determines its allowance for uncollectible accounts by considering a number of factors, including length of time receivables are past due, the customer's ability to pay and previous collection history, as well as the economy as a whole.

**Supplies Inventory:**

Supplies inventory consists of operating supplies and repair parts which are stated at the lower of cost or market, with costs being determined as average cost of purchases.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Accounts Receivable:** (continued)

**Customer Deposits and Prepaid Revenue:**

Customer deposits are collected in advance for a variety of services (primarily prepayments for water services, system development and the installation of meters) and are segregated in the District's cash account. These deposits are recognized as revenue when the related services are completed.

**Capital Assets:**

Capital assets (purchased or constructed) are stated at historical cost. Capital assets constructed by customers and contributed to the District are stated at cost as determined by the customer, whereas other contributed capital assets are stated at acquisition value at the time received. Routine maintenance and repairs are charged to operations as incurred. Additions and improvements over \$5,000, with an estimated useful life in excess of one year, are capitalized and depreciated over their useful lives.

GAAP requires the cost of depreciable assets to be charged to operations over their expected useful lives in a systematic and rational manner, with consideration given to salvage value. The District records depreciation using the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives of the District's depreciable assets are as follows:

	<u>Years</u>
Buildings	25-75
Improvements	10-75
Machinery, furniture & equipment	5-25
Pump stations	20-30
Reservoirs	50-75
Water distribution system	15-50

The District capitalizes labor, overhead and interest during the period of construction as part of the cost of capital assets. Labor costs are applied directly, whereas overhead is applied based on 39.8 percent of internal costs and 9.6 percent of outside costs for the years ended June 30, 2016 and 2017. Capitalized labor and overhead costs totaled \$271,482 and \$192,858 for the years ended June 30, 2017 and 2016, respectively. Capitalized interest is allocated based on the weighted average net borrowing costs incurred and totaled \$105,613 and \$78,583 for the years ended June 30, 2017 and 2016, respectively.

Long-lived assets are evaluated for impairment annually. Whenever events or changes in circumstances indicate the carrying amount of an asset may not be fully recoverable, management calculates the carrying value of its long-lived assets using estimated future cash flows, operating income, and estimated fair values.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Unamortized Bond Premiums, Issuance Costs, and Deferred Charges on Refunding:**

Bond premiums relating to revenue bonds are amortized by the effective interest method over the life of the bond issue using a weighted average of the face amount of the outstanding bonds. Loss on refunding of bonds is amortized over the life of the old or new bonds, whichever is shorter, as a deferred outflow. Issuance costs are expensed as incurred.

**Compensated Absences:**

The District provides paid vacation for all employees after six months of service. Vacation is earned at a rate of ten to thirty days per year depending on length of service (except for employees with more than fifteen years of service as of June 1996, who are "grandfathered" into the policy in effect at their date of hire). Employees with more than six months of service will be paid for unused vacation upon termination.

The District also provides paid sick leave for all employees. Sick leave is earned at a rate of eight hours per full calendar month of employment. All hours accrued in excess of 1,040 are either paid or converted to additional vacation hours at December 31 each year. Terminated employees forfeit their accrued sick leave; however, employees retiring under the terms of either of the District's retirement plans and who provide two weeks' notice may receive cash for accrued sick leave or report to PERS for retirement calculation.

The District allows all hourly union employees to accumulate "comp time" in lieu of receiving overtime pay for any period in which the employee works in excess of their regularly scheduled hours. As compensated absences are due and payable on demand, they are considered due within one year and are included in accrued expenses.

**Pensions, Deferred Inflows, and Outflows of Resources:**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and addition to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position:**

All balances and transactions are presented based on the existence or absence of restrictions. These restrictions are either externally imposed (i.e., by grantors, creditors, contributors, or laws and regulations imposed by other governments) or imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the District and changes therein, are classified and reported as follows:

*Net investment in capital assets* – capital assets (net of accumulated depreciation) are reduced by the outstanding balance of the District's revenue bonds which are attributable to the acquisition, construction and improvement of those assets.

*Restricted* – this component of net position consists of assets restricted by third parties or bond resolutions.

*Unrestricted* – all other elements of net position that are not included in the categories listed above.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Operating vs. Nonoperating Revenues and Expenses:**

In accordance with GASB requirements for proprietary funds, the District distinguishes operating revenues and expenses from non-operating revenues and expenses in its Statement of Revenues, Expenses and Changes in Net Position.

The District defines operating revenues as all service charges and other charges directly attributable to providing water. Operating revenues are recorded when the water is delivered, including an estimated amount for unbilled water sales.

Operating expenses are defined as those expenses directly related to providing these services including treating and delivering water to customers. Operating expenses include water resources, system operations, finance, accounting and customer service, administrative services, engineering, board of commissioner expenses and depreciation on capital assets. The District charges only direct costs (i.e., no indirect costs are allocated) to operating expenses.

All other revenues and expenses not listed above are reported as non-operating revenues and expenses. System development charges are reported as capital contributions.

**Risk Management:**

The District is exposed to various risks of loss related to theft, damage, or destruction of assets; error and omissions; torts; employee injuries; and natural disasters. The District purchases commercial insurance to minimize its exposure to these risks.

Settled claims did not exceed the District's insurance coverage for any of the past three fiscal years.

**Budget:**

Oregon Budget Law requires annual or biennial budgets to be adopted for each of the District's funds and requires specific procedures to be followed when budgeting, including establishing a budget committee, providing adequate public notices of budget hearings, adopting the budget and making appropriations. Historically the district adopted budgets annually. The first biennial budget (BN2015-2017) was adopted in June 2015 and the Board adopted the BN2017-2019 budget in June 2017. The District's budget for the General Fund is adopted on the modified accrual basis of accounting following the main budgetary control categories required under Oregon Budget Law, whereas budgets for all other funds are adopted on the modified cash basis. The Board of Commissioner's final resolution authorizing appropriations for each fund sets the level at which actual expenditures cannot be legally exceeded. Unspent appropriations lapse at the end of each fiscal year.

Unexpected additional resources or expenditures may be added to the budget through the use of a supplemental budget, which requires additional procedures outlined in the Oregon Budget Law before adoption by the Board of Commissioners. Original and supplemental budgets may be modified using "appropriation transfers" between budgetary control categories, and such transfers require only the approval of the Board of Commissioners.

During the fiscal year the District adopted 2 supplemental budgets. The first provides additional appropriation authority in Personnel Services, Materials & Services, Interfund transfers, and Capital Outlay. It covers the following activities: General Manager transition; Engineering Manager, transfers-out and capital outlay for additional capital projects; contract work on the Water Master Plan, water purchases due to increased water sales, and other activity. The second transfers Unappropriated Ending Fund Balance to Interfund Transfers within the General Fund to increase Debt Service and

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

Resource Interfund Transfers within the Revenue Bond Fund for interest payments on the Series 2016 Revenue Bonds issued March 2016.

A summary of the District's Biennium Period 2017-2019 Adopted Budget is included in the Supplementary Information section attached to these general purpose financial statements.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents (recorded at fair value) consist of the following at June 30:

	2017	2016
Cash and cash equivalents:		
Cash on hand	\$ 900	\$ 900
Checking account	850,865	766,325
Participation in Oregon State Treasurer's Short-Term Investment Fund	<u>31,513,706</u>	<u>33,157,666</u>
Total cash and cash equivalents	<u><u>\$ 32,365,471</u></u>	<u><u>\$ 33,924,891</u></u>

Reported on the Statement of Net Position as follows:

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 3,966,849	\$ 4,643,860
Cash held for customer deposits	145,996	164,480
Noncurrent Assets:		
Restricted cash and cash equivalents	<u>28,252,626</u>	<u>29,116,551</u>
Total cash and cash equivalents	<u><u>\$32,365,471</u></u>	<u><u>\$ 33,924,891</u></u>

**Interest rate risk**

In accordance with its investment policy, the District manages its exposure to fair value losses arising from increases in interest rates by limiting its investments to those having maturities not exceeding eighteen months.

**Concentration of credit risk**

The District maintains a policy of investing a maximum of its excess funds as is reasonably prudent while having cash available to meet daily operating needs. All of the District's investments are held in the Local Government Investment Pool (LGIP).

**Custodial credit risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy includes guidance for legality, safety of investment, preservation of principal, and rate of return. The District's policy is guided by state statute for rating of investments which must be rated "A" (bonds) or better by Standard and Poor's, Moody's Investors Service or any other nationally recognized statistical rating organization.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**3. CASH AND CASH EQUIVALENTS, (continued)**

At June 30, 2017, the book balance of the District's bank deposits (checking account) is \$704,869 and the bank balance is \$1,006,396. The difference is due to transactions in process. Of these deposits, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC). As required by Oregon Revised Statutes, deposits in excess of FDIC limits were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District's remaining deposits in excess of FDIC insurance are considered to be fully collateralized.

The District participates in the Local Government Investment Pool (LGIP) which is part of the Oregon State Treasury Short-Term Investment Fund. The State of Oregon Investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested, as a prudent investor would do, exercising reasonable care, skill, and caution. The value of CRW's investment in the LGIP is the same as the value of the shares in the LGIP. Separate financial statements for the LGIP are available from the Oregon State Treasurer. The credit quality of the LGIP is unrated as to credit risk.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Water sales receivables	\$ 1,098,346	\$ 1,156,289
Unbilled water sales	1,129,400	1,037,500
Less allowance for uncollectible accounts	<u>(10,000)</u>	<u>(10,000)</u>
Total water sales receivable	2,217,746	2,183,789
Other	<u>151,456</u>	<u>87,583</u>
Total accounts receivable, net	<u><u>\$ 2,369,202</u></u>	<u><u>\$ 2,271,372</u></u>

Accounts receivable are stated at cost and are unsecured. Management determines receivables to be past due based on individual circumstances and writes off accounts when they are determined to be uncollectible. The District's collection program includes applying service charges to past due accounts, extending payment terms and, if needed, discontinuing water services. Receivables more than 90 days past due totaled \$30,035 and \$39,605 at June 30, 2017 and 2016, respectively.



CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**5. CAPITAL ASSETS**

The District's capital assets activity for the year ended June 30, 2017 is as follows:

	Balances June 30, 2016	Additions and Transfers	Retirements and Transfers	Balances June 30, 2017
Depreciable Assets:				
Buildings	\$ 6,869,146	\$ -	\$ -	\$ 6,869,146
Improvements	11,425,187	96,628	(90,005)	11,431,809
Machinery, furniture and equipment	3,601,932	196,526	-	3,798,458
Pump stations	4,208,041	-	(13,186)	4,194,856
Reservoirs	6,589,983	-	-	6,589,983
Water distribution system	55,522,720	589,454	-	56,112,174
	<u>88,217,009</u>	<u>882,608</u>	<u>(103,191)</u>	<u>88,996,426</u>
Accumulated depreciation:				
Buildings	(5,525,368)	(239,188)	-	(5,764,556)
Improvements	(3,723,275)	(371,788)	90,005	(4,005,058)
Machinery, furniture and equipment	(2,266,666)	(151,870)	-	(2,418,536)
Pump stations	(3,043,947)	(89,850)	13,186	(3,120,611)
Reservoirs	(2,941,306)	(138,559)	-	(3,079,865)
Water distribution system	(24,214,813)	(1,061,033)	-	(25,275,846)
	<u>(41,715,375)</u>	<u>(2,052,288)</u>	<u>103,191</u>	<u>(43,664,472)</u>
Total depreciable assets, net	<u>46,501,634</u>	<u>(1,169,680)</u>	<u>-</u>	<u>45,331,954</u>
Nondepreciable assets:				
Land and easements	2,441,502	-	-	2,441,502
Construction in Progress	686,699	4,778,981	(327,111)	5,138,569
Total nondepreciable assets	<u>3,128,201</u>	<u>4,778,981</u>	<u>(327,111)</u>	<u>7,580,071</u>
Total capital asset activity	<u>\$ 49,629,835</u>	<u>\$ 3,609,301</u>	<u>\$ (327,111)</u>	<u>\$ 52,912,025</u>

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**5. CAPITAL ASSETS, (continued)**

The District's capital assets activity for the year ended June 30, 2016 is as follows:

	Balances June 30, 2015	Additions and Transfers	Retirements and Transfers	Balances June 30, 2016
Depreciable Assets:				
Buildings	\$ 6,869,146	\$ -	\$ -	\$ 6,869,146
Improvements	11,304,997	120,190	-	11,425,187
Machinery, furniture and equipment	3,373,853	363,943	(135,864)	3,601,932
Pump stations	4,188,990	19,051	-	4,208,041
Reservoirs	6,589,983	-	-	6,589,983
Water distribution system	53,038,783	2,483,937	-	55,522,720
	<u>85,365,752</u>	<u>2,987,121</u>	<u>(135,864)</u>	<u>88,217,009</u>
Accumulated depreciation:				
Buildings	(5,278,094)	(247,274)	-	(5,525,368)
Improvements	(3,338,972)	(384,303)	-	(3,723,275)
Machinery, furniture and equipment	(2,279,473)	(123,046)	135,853	(2,266,666)
Pump stations	(2,923,057)	(120,890)	-	(3,043,947)
Reservoirs	(2,802,747)	(138,559)	-	(2,941,306)
Water distribution system	(23,204,855)	(1,009,958)	-	(24,214,813)
	<u>(39,827,199)</u>	<u>(2,024,030)</u>	<u>135,853</u>	<u>(41,715,375)</u>
Total depreciable assets, net	<u>45,538,554</u>	<u>963,091</u>	<u>(11)</u>	<u>46,501,634</u>
Nondepreciable assets:				
Land and easements	2,441,502	-	-	2,441,502
Construction in Progress	1,726,742	1,406,648	(2,446,691)	686,699
Total nondepreciable assets	<u>4,168,244</u>	<u>1,406,648</u>	<u>(2,446,691)</u>	<u>3,128,201</u>
Total capital asset activity	<u>\$ 49,706,798</u>	<u>\$ 2,369,739</u>	<u>\$ (2,446,702)</u>	<u>\$ 49,629,835</u>

Depreciation expense charged to operations totaled \$2,052,288 and \$2,024,030 for the years ended June 30, 2017 and 2016, respectively.

**6. BONDS PAYABLE**

The District issued Series 2009 Revenue Bonds pursuant to Oregon Revised Statutes ("ORS") Sections 287A.360 and 264.270 to refund prior bond issuances with higher interest rates. Interest of 3.00% to 4.00% is payable semi-annually on May 1 and November 1. The bonds are secured by the District's net operating revenues, net position reserved for rate stabilization and a Reserve Credit Facility (see below). The prior bond issuance, Series 1999 Revenue Bonds of \$7.9 million, were for capital improvements within the transmission and distribution system.

**CLACKAMAS RIVER WATER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**6. BONDS PAYABLE, (continued)**

On March 4, 2016, the District issued \$19,790,000 in Water Revenue Bonds with an average interest rate of 4.20 percent. The District issued Series 2016 Revenue Bonds pursuant to Oregon Revised Statutes ("ORS") Sections 287A.150 and 264.260 to finance capital improvements to the District's facilities and to pay the costs of issuance of the Series 2016 bonds. Interest of 3.00% to 5.00% is payable semi-annually on May 1 and November 1. The bonds are secured by the District's net operating revenues, net position reserved for rate stabilization, and a Reserve Credit Facility (see below). The Series 2016 Bonds are issued on parity with the District's Series 2009 Bonds. The Series 2016 Bonds maturing on or after November 1, 2025 are subject to redemption at the option of the District.

The revenue bond resolution contains covenants that rates and fees are adequate to generate net operating revenues (excluding depreciation) of at least 1.25 times principal and interest, and 1.00 times principal and interest after subtracting system development charges. Management believes the District has exceeded these requirements for the years ending June 30, 2017 and June 30, 2016.

The District's revenue bond activity for the year ended June 30, 2017 is as follows:

	Balances June 30, 2016	Additions	Payments & Decreases	Balances June 30, 2017	Amount due within one year	Long-term portion
Revenue Bonds - 2009	\$ 2,065,000	\$ -	\$ (380,000)	\$ 1,685,000	\$ 390,000	\$ 1,295,000
Unamortized premium	70,746	-	(16,295)	54,451	16,295	38,156
Revenue Bonds - 2016	19,790,000	-	(315,000)	19,475,000	325,000	19,150,000
Unamortized premium	3,405,547	-	(111,963)	3,293,584	2,414	3,291,170
	<u>\$ 25,331,293</u>	<u>\$ -</u>	<u>\$ (823,258)</u>	<u>\$ 24,508,035</u>	<u>\$ 733,709</u>	<u>\$ 23,774,326</u>

The District's revenue bond activity for the year ended June 30, 2016 is as follows:

	Balances June 30, 2015	Additions	Payments & Decreases	Balances June 30, 2016	Amount due within one year	Long-term portion
Revenue Bonds - 2009	\$ 2,430,000	\$ -	\$ (365,000)	\$ 2,065,000	\$ 380,000	\$ 1,685,000
Unamortized premium	87,041	-	(16,295)	70,746	16,295	54,451
Revenue Bonds - 2016		19,790,000		19,790,000	315,000	19,475,000
Unamortized premium		3,442,246	(36,699)	3,405,547	111,963	3,293,584
	<u>\$ 2,517,041</u>	<u>\$ 23,232,246</u>	<u>\$ (417,994)</u>	<u>\$ 25,331,293</u>	<u>\$ 823,258</u>	<u>\$ 24,508,035</u>

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**6. BONDS PAYABLE, (continued)**

Scheduled future principal and interest payments are summarized below for the years ending June 30:

Fiscal Year	Principal	Interest
2018	715,000	973,375
2019	750,000	947,375
2020	775,000	920,275
2021	805,000	890,400
2022	370,000	868,000
2023-2027	2,085,000	3,706,600
2028-2032	2,595,000	3,400,275
2033-2037	3,320,000	2,867,500
2038-2042	4,265,000	1,924,375
2043-2047	5,480,000	712,000
	<u>\$ 21,160,000</u>	<u>\$ 17,210,175</u>

The District's revenue bonds are paid solely from the District's net operating revenue and certain other restricted assets pledged as payment for the bonds. Other restricted assets are system development fees for fiscal year 2017. For FY 2016-17 pledged revenue was approximately 14.9 percent of water revenue. The bonds are not funded by tax charges and are not general obligations of the District.

**Reserve Credit Facility:**

The bond agreement requires the District to maintain two reserve accounts. The principal and semi-annual interest payment amount must be deposited in the Bond Payment account in time for the registrar and paying agent (Wells Fargo) to disburse the principal and interest payments when due.

**7. CAPITAL LEASES**

The District entered into an equity lease agreement with Enterprise FM Trust May 12, 2015 for vehicles to be used for operation of the District. The district began leasing three Toyota Tacomas in August 2015 and one Ford Explorer in October 2015 on 60 month lease programs. At the end of the term the District has the option to purchase, return, or exchange the vehicles. The District plans to retain ownership at the end of the lease. The four vehicles have a value of \$110,896 and will be depreciated as outlined in our capital asset policy.

The aggregate minimum lease commitment under all non-cancelable capital leases with terms of more than one year are as follows for the years ended June 30:

Fiscal Year	Amount
FY18	22,179
FY19	22,179
FY20	22,179
FY21	5,957
	<u>\$ 72,494</u>

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**8. RESTRICTED NET POSITION**

Certain of the District's assets are restricted for specified purposes. Legal or contractual agreements restrict amounts for debt service, system development, capital improvements, and rate stabilization. The components of the restricted net position, liabilities associated with investment in capital assets and restricted component of net position, as of June 30 were as follows:

	2017	2016
Restricted Net Position		
Debt Service Reserves	\$ 249,286	\$ 346,286
System Development Reserves	4,692,806	1,054,925
Capital Improvements Reserves	1,334,899	4,866,342
Rate Stabilization Reserves	1,156,834	1,144,625
Total Restricted Net Position	<u>\$ 7,433,825</u>	<u>\$ 7,412,178</u>

**9. ACCRUED EXPENSES**

Accrued expenses consist of the following at June 30:

	2017	2016
Compensated Absences	\$ 227,000	\$ 211,085
Payroll	113,949	180,292
PERS (note 12)	23,557	25,174
Payroll Taxes and other	10,041	5,276
	<u>\$ 374,547</u>	<u>\$ 421,827</u>

**10. RENTAL INCOME**

The District leases approximately 5,000 square feet of its administration office building in Clackamas, Oregon to Pet RX, Inc. under an agreement that expired in October 2013. The lease contains two lease term renewal options for five years each at the option of Pet RX, Inc., extending the terms of the lease through October 2023, under the same terms and conditions of the original lease. Pet Rx, Inc. executed the first five-year lease option, which expires October 2018. The original lease was amended on November 26, 2008 and increased the rent in effect as of the adjustment date for the ensuing year and each year thereafter by the amount of 3%.

During fiscal year 2011, the District entered into an additional lease with Pet RX, Inc. to lease approximately 685 square feet of storage space under an agreement that expired in September 2015. The storage space was leased on a month to month basis until Pet Rx, Inc. terminated the agreement May 11, 2016.

Rental income is recognized as non-operating revenue and totaled \$104,818 and \$108,272 for the years ended June 30, 2017 and 2016, respectively.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**10. RENTAL INCOME, (continued)**

Scheduled rental income under the leases (including option years) is as follows for the years ending June 30:

<u>Fiscal Year</u>	<u>Amount</u>
2018	107,963
2019	111,202
2020	114,538
2021	117,974
2022	121,513
2023-2024	282,035
	<u>\$ 855,225</u>

**11. OPERATING LEASES**

In December 2008 the District began leasing two mailing stations under agreements that expired in February 2014. In August 2013 the District signed a new agreement to replace the December 2008 agreement. The new agreement expires August 2018. Rent expense charged to operations under these agreements totaled \$3,040 and \$2,971, for the years ended June 30, 2017 and 2016, respectively.

The District leases five copiers under three lease agreements. One agreement (3 copiers) expires in December 2017, while the other two (1 copier each) expire in June 2019 and March 2020, respectively. Rent expense charged to operations under these agreements totaled \$17,998 and \$17,384 for each of the years ended June 30, 2016 and 2015, respectively.

The aggregate minimum lease commitment under all non-cancelable operating leases with terms of more than one year are as follows for the years ended June 30:

<u>Fiscal Year</u>	<u>Amount</u>
FY18	5,890
FY19	3,087
FY20	2,102
	<u>\$ 11,079</u>

The District leases other rental equipment under month-to-month agreements. Rent expense charged to operations under all operating leases totaled \$28,785 and \$32,023 for the years ended June 30, 2017 and 2016, respectively.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

## 12. PENSION PLANS

### Plan description:

District employees receive pensions through the Oregon Public Employees Retirement System (OPERS & PERS), a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the PERS Board to administer the system. The District has elected to participate in a State and Local Government Rate Pool (SLGRP) available to certain public employees. The SLGRP pools the District into a larger group for purposes of determining contribution rates. Pooled participants jointly fund future pension costs of all participants by sharing pension assets, liabilities and surpluses.

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. The Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

### Benefits provided:

#### 1. Tier One/Tier Two Retirement Benefit, ORS Chapter 238:

##### Pension Benefits:

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either: a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

##### Death Benefits:

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

##### Disability Benefits:

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**12. PENSION PLANS, (continued)**

**1. Tier One/Tier Two Retirement Benefit, ORS Chapter 238: (continued)**

**Benefit Changes:**

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**2. OPSRP Pension Program (OPSRP DB):**

**Pension Benefits:**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**Death Benefits:**

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

**Disability Benefits:**

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**Benefit Changes Following Retirement:**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**3. OPSRP Individual Account Program (OPSRP IAP):**

**Pension Benefits:**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.



CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**12. PENSION PLANS, (continued)**

**3. OPSRP Individual Account Program (OPSRP IAP): (continued)**

**Death Benefits:**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**Recordkeeping:**

OPERS contracts with VOYA Financial to maintain IAP participant records.

**Contributions:**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2017 and 2016 was \$514,667 and \$510,373, respectively, which included the transitional liability.

The rates in effect for the fiscal years ended June 30, 2016 and 2017 are 18.71 percent for Tier One/Tier Two General Service Members and 13.86 percent for OPSRP Pension Program General Service Members. Covered employees are required by state statute to contribute 6 percent of their annual salary to the OPSRP Individual Account Program. The employer is allowed to pay any or all of the employees' contribution in addition to the employers' required contribution. ORS 238.205 and Internal Revenue Code Section 414 (h) permit the District to "pick up" this amount on behalf of its employees and the District has elected to do so for one employee.

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

At June 30, 2017 and 2016, the District reported a liability of \$5,381,562 and \$2,251,307, respectively for its proportionate share of the net pension liability/asset. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 and rolled forward to June 30, 2016. At June 30, 2017, and 2016, the District's proportion was 0.03584 percent and 0.03921 percent, respectively.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**12. PENSION PLANS, (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (continued)**

For the year ended June 30, 2017 and 2016, the District's recognized pension expense of \$474,507 and \$1,702,024, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Balance as of June 30, 2017		Balance as of June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 178,046	\$ -	\$ 121,402	\$ -
Changes of assumptions	1,147,758	-	-	-
Net differences between projected and actual earning on plan investments	1,063,171	-	-	471,925
Changes in Proportionate Share	-	191,022	-	12,859
Differences between employer contributions and employer's proportionate share of system contributions	82,889	32,919	16,847	42,601
District contribution subsequent to the measurement date	499,004	-	480,315	-
Net Deferred Outflows/Inflows of Resources	<u>\$ 2,970,868</u>	<u>\$ 223,941</u>	<u>\$ 618,564</u>	<u>\$ 527,385</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows		Deferred Inflows	
Amortization Period		Amortization Period	
FY2018	\$ 943,849	FY2018	\$ 53,761
FY2019	444,845	FY2019	53,761
FY2020	834,956	FY2020	53,761
FY2021	646,021	FY2021	46,196
FY2022	101,197	FY2022	16,462
Total	<u>\$ 2,970,868</u>	Total	<u>\$ 223,941</u>

**Actuarial assumptions:**

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**12. PENSION PLANS, (continued)**

**Actuarial assumptions: (continued)**

produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2015, published September 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>
At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.5 percent	

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2014 Experience Study is based on the methods and assumptions shown above, and on data for the experience period from January 1, 2011 to December 31, 2014 as provided by PERS.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**12. PENSION PLANS, (continued)**

**Long-term expected rate of return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Assumed Asset Allocation				Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Asset Class/Strategy	Low Range	High Range	Target			
Cash	0.0%	3.0%	0.0%	Core Fixed Income	8.00%	4.00%
Debt Securities	15.0%	25.0%	20.0%	Short-Term Bonds	8.00%	3.61%
Public Equity	32.5%	42.5%	37.5%	Bank/Leveraged Loans	3.00%	5.42%
Private Equity	16.0%	24.0%	20.0%	High Yield Bonds	1.00%	6.20%
Real Estate	9.5%	15.5%	12.5%	Large/Mid Cap US Equities	15.75%	6.70%
Alternative Equity	0.0%	10.0%	10.0%	Small Cap US Equities	1.30%	6.99%
Opportunity Portfolio	0.0%	3.0%	0.0%	Micro Cap US Equities	1.30%	7.01%
Total			100.0%	Developed Foreign Equities	13.13%	6.73%
				Emerging Foreign Equities	4.12%	7.25%
				Non-US Small Cap Equities	1.88%	7.22%
				Private Equities	17.50%	7.97%
				Real Estate (Property)	10.00%	5.84%
				Real Estate (REITS)	2.50%	6.69%
				Hedge Fund of Funds - Diversified	2.50%	4.64%
				Hedge Fund - Event-Driven	0.63%	6.72%
				Timber	1.88%	5.85%
				Farmland	1.88%	6.37%
				Infrastructure	3.75%	7.13%
				Commodities	1.88%	4.58%
				Total	100.00%	
				Assumed Inflation - Mean		2.50%

**Discount rate:**

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CLACKAMAS RIVER WATER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**12. PENSION PLANS, (continued)**

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% increase 8.50%</u>
District's Proportionate share of the net pension liability (asset)	\$ 8,689,428	\$ 5,381,562	\$ 2,616,764

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**Transitional Liability**

CRW joined the OPERS local government rate pool May 2001 to help stabilize the District annual pension rate. CRW actuarial liability at May 2001 remained with the District and is the sole responsibility of the District. The transition liability is amortized over a fixed period ending December 31, 2027. The transitional liability balance was \$732,485 and \$762,206 as of June 30, 2017 and 2016, respectively.

**13. DEFERRED COMPENSATION PLANS**

The District offers its employees multiple deferred compensation plans created in accordance with Internal Revenue Code Section 457. Plan contributions and assets are set aside in trust, with the custodial trustee and administrator, for the exclusive benefit of participants and beneficiaries.

The plans permit participating employees to contribute up to 100% of gross pay or the statutorily prescribed annual dollar limit, whichever is smaller. The District may, at its discretion, make employer contributions. The District's plans, as currently adopted, do not provide for employer contributions. Plan contributions and earnings thereon are available to participating employees upon termination of employment, retirement, death, or unforeseen emergency.

**14. COMMITMENTS AND CONTINGENCIES**

**Legal Matters:**

The District is involved in various legal matters; however, management has been advised by the District's legal counsel that the resolution of these matters will not likely have a significant adverse effect on the District's financial position.

**Unemployment Insurance:**

The District is self-insured for unemployment compensation. Liabilities are recorded when it is probable that a loss has occurred and the amount can be reasonably estimated. The District paid no claims for the years ended June 30, 2017 and 2016.

**Construction Commitments:**

Construction in progress totaled \$5,138,569 at June 30, 2017. Of these projects, the District has made construction commitments of approximately \$304,000 as of June 30, 2017.

# **REQUIRED SUPPLEMENTARY INFORMATION**



*Clackamas River Water*

**CLACKAMAS RIVER WATER, OREGON**  
**SCHEDULE OF CONTRIBUTIONS**  
**For the Last Three Fiscal Years**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2017	\$ 350,350	\$ 437,518	\$ (87,168)	\$ 2,624,818	16.67%
2016	388,162	440,445	(52,283)	2,860,316	15.40%
2015	368,921	395,126	(26,205)	2,762,206	14.30%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Notes to Schedule

Valuation Date: 6/30/15, rolled forward to June 30, 2017

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal
Experience study report	2015, published September 2016
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Tier One/Tier Two - 20 Years; OPSRP - 16 Years
Asset valuation method	Market value of assets, excluding reserves
Inflation	2.50%
Salary increases	3.50%
Investment rate of return	7.50%
Retirement age	55 for Tier 1/Tier 2; 65 for OPSRP
Mortality	RP-2000 Gender-distinct tables

\* Fiscal year 2015 was the first year of implementation.

Source: Milliman Actuarial Valuation Report September 2016

**CLACKAMAS RIVER WATER, OREGON**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Last Three Fiscal Years**

Measurement Date June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.0358%	\$ 5,381,562	2,860,316	188.15%	80.53%
2016	0.0392%	2,251,307	2,762,206	81.50%	91.90%
2015	0.0483%	(905,788)	2,660,615	-34.04%	103.60%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.



# **SUPPLEMENTARY INFORMATION**



*Clackamas River Water*

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

#### **General Fund**

This fund accounts for the district's normal recurring operations of the water supply distribution system. The primary source of revenue is water sales.

#### **CRWSC Activity Fund**

This fund accounts for the district's support of the Clackamas Regional Water Supply Commission (CRWSC), an ORS 190 agreement with Sunrise Water Authority. The primary source of revenue is wholesale water sales and services provided to Sunrise Water Authority.

#### **Capital Improvement Projects Fund**

This fund accounts for construction activity of the district. Construction activity includes additions, replacements, and improvements for storage, transmission, distribution, supply and facilities of the district. The primary resources are transfers from SDC Reserve Fund, Capital Reserve Fund and interest earnings.

#### **CIP Bond Construction Fund**

This fund accounts for construction activity of the district. Construction activity includes additions, replacements, and improvements for storage, transmission, distribution, supply and facilities of the district. The primary resources are transfers from the Revenue Bond Proceeds Fund.

#### **Revenue Bond Fund**

This fund accounts for the redemption of revenue bond principal and interest expenditures. The primary resources are transfers from the General Fund and SDC Reserve Fund.

#### **Revenue Bond Proceeds Fund**

This fund accounts for the proceeds of revenue bonds issued by the District. The primary resources are bond issues and interest earnings.

#### **Capital Reserve Fund**

The Capital Reserve Fund accounts for funds reserved for future expansion and improvements to the system. The primary resources are interest earnings and transfers from the General Fund.

#### **Rate Stabilization Reserve Fund**

The Rate Stabilization Reserve Fund accounts for funds reserved for stabilizing the revenues of the district to maintain bond covenants on the 2009 Revenue Bond issue. The primary resources are interest earnings.

#### **SDC Reserve Fund**

The SDC Reserve Fund accounts for funds reserved for future expansion and improvements to the system. The primary resources are interest earnings and systems development charges.

**CLACKAMAS RIVER WATER**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**for the year ended June 30, 2017**  
**(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenues:</b>						
Water sales	\$ 18,315,000	\$ 19,065,000	\$ 10,084,190	\$ 10,548,331	\$ 20,632,521	\$ 1,567,521
Service connections	213,600	213,600	114,390	114,559	228,949	15,349
Service charges	130,000	130,000	75,777	67,652	143,429	13,429
Miscellaneous - operating	20,000	20,000	54,388	61,226	115,614	95,614
Rental income	220,000	220,000	108,272	104,818	213,090	(6,910)
Miscellaneous - nonoperating	40,000	40,000	36,685	18,388	55,073	15,073
Surplus property sale	30,000	30,000	28,846	1,014	29,860	(140)
Right of Way Fees (Pass through)	31,400	31,400	17,591	22,667	40,258	8,858
Interest income	20,000	20,000	19,144	30,740	49,884	29,884
Total revenues	19,020,000	19,770,000	10,539,283	10,969,395	21,508,678	1,738,678
<b>Other financing sources:</b>						
Transfer from						
Revenue Bond Proceeds Fund	-	269,500	149,923	119,577	269,500	-
CRWSC Activity Fund	1,590,000	1,590,000	765,000	820,000	1,585,000	(5,000)
Total other financing sources	1,590,000	1,859,500	914,923	939,577	1,854,500	(5,000)
Total revenues and other financing source	20,610,000	21,629,500	11,454,206	11,908,972	23,363,178	1,733,678
<b>Beginning fund balance available for appropriations</b>	4,000,000	4,000,000	4,846,400	5,757,237	4,846,400	846,400
	<b>\$ 24,610,000</b>	<b>\$ 25,629,500</b>	<b>\$ 16,300,606</b>	<b>\$ 17,666,209</b>	<b>\$ 28,209,578</b>	<b>\$ 2,580,078</b>

**CLACKAMAS RIVER WATER**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**for the year ended June 30, 2017**  
**(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Expenditures:</b>						
Water Resources:						
Personal services	\$ 2,227,166	\$ 2,227,168	\$ 1,088,458	\$ 1,063,454	\$ 2,151,912	\$ 75,256
Materials and services	3,756,600	4,206,600	1,812,026	2,074,996	3,887,022	319,578
Capital outlay	218,000	218,000	43,344	133,214	176,558	41,442
	<u>6,201,766</u>	<u>6,651,768</u>	<u>2,943,828</u>	<u>3,271,664</u>	<u>6,215,492</u>	<u>436,276</u>
System Operations:						
Personal services	2,215,852	2,215,851	1,094,708	1,073,144	2,167,852	47,999
Materials and services	866,400	866,400	404,582	397,207	801,789	64,611
Capital outlay	471,000	471,000	256,780	177,997	434,777	36,223
	<u>3,553,252</u>	<u>3,553,251</u>	<u>1,756,070</u>	<u>1,648,348</u>	<u>3,404,418</u>	<u>148,833</u>
Finance, Accounting, & Customer Service						
Personal services	1,427,002	1,427,002	629,124	723,693	1,352,817	74,185
Materials and services	677,000	892,800	531,156	365,324	896,480	(3,680)
Capital outlay	140,000	140,000	-	-	-	140,000
	<u>2,244,002</u>	<u>2,459,802</u>	<u>1,160,280</u>	<u>1,089,017</u>	<u>2,249,297</u>	<u>210,505</u>
Administrative Services:						
Personal services	1,205,881	1,380,881	853,727	778,585	1,632,312	(251,431)
Materials and services	2,054,500	2,097,500	723,708	404,483	1,128,190	969,310
Capital outlay	127,500	127,500	105,215	88,736	193,951	(66,451)
	<u>3,387,881</u>	<u>3,605,881</u>	<u>1,682,650</u>	<u>1,271,804</u>	<u>2,954,453</u>	<u>651,428</u>
Board of Commissioners						
Personal services	265,068	265,068	88,395	99,182	187,577	77,491
Materials and services	47,100	47,100	48,664	16,769	65,433	(18,333)
	<u>312,168</u>	<u>312,168</u>	<u>137,059</u>	<u>115,951</u>	<u>253,010</u>	<u>59,158</u>
Engineering						
Personal services	863,194	938,193	459,267	463,628	922,895	15,298
Materials and services	152,400	513,100	48,183	310,357	358,540	154,560
Capital outlay	10,000	10,000	7,229	-	7,229	2,771
	<u>1,025,594</u>	<u>1,461,293</u>	<u>514,679</u>	<u>773,985</u>	<u>1,288,664</u>	<u>172,629</u>
Contingency	750,000	450,000	-	-	-	450,000
Total expenditures	<u>17,474,663</u>	<u>18,494,163</u>	<u>8,194,567</u>	<u>8,170,770</u>	<u>16,365,335</u>	<u>2,128,829</u>
<b>Other financing uses:</b>						
Transfers to other funds:						
Capital Reserve Fund	4,000,000	4,000,000	1,750,000	2,250,000	4,000,000	-
CRWSC Activity Fund	123,000	123,000	-	-	-	123,000
Revenue Bond Fund	902,375	2,290,590	598,802	1,691,475	2,290,277	313
Total other financing uses	<u>5,025,375</u>	<u>6,413,590</u>	<u>2,348,802</u>	<u>3,941,475</u>	<u>6,290,277</u>	<u>123,313</u>
Total expenditures and other financing uses	<u>22,500,038</u>	<u>24,907,753</u>	<u>10,543,369</u>	<u>12,112,245</u>	<u>22,655,612</u>	<u>2,252,142</u>
<b>Unappropriated ending fund balance</b>	<u>2,109,962</u>	<u>721,747</u>	<u>5,757,237</u>	<u>5,553,965</u>	<u>5,553,965</u>	<u>(4,832,218)</u>
	<u><b>\$ 24,610,000</b></u>	<u><b>\$ 25,629,500</b></u>	<u><b>\$ 16,300,606</b></u>	<u><b>\$ 17,666,209</b></u>	<u><b>\$ 28,209,577</b></u>	<u><b>\$ (2,580,076)</b></u>

**CLACKAMAS RIVER WATER  
CRWSC ACTIVITY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2017  
(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenues:</b>						
Water Sales	\$ 1,590,000	\$ 1,590,000	\$ 803,145	\$ 820,589	\$ 1,623,734	\$ 33,734
Miscellaneous - operating	54,000	54,000	62,174	44,876	107,050	53,050
Miscellaneous - nonoperating	672,600	672,600	223,657	165,773	389,430	(283,170)
Interest Income	-	-	144	218	362	362
Total revenues	2,316,600	2,316,600	1,089,120	1,031,456	2,120,576	(196,024)
<b>Other financing sources:</b>						
Transfers from other funds:						
General Fund	123,000	123,000	-	-	-	(123,000)
Total other financing sources	123,000	123,000	-	-	-	(123,000)
Total revenues and other financing sources	2,439,600	2,439,600	1,089,120	1,031,456	2,120,576	(319,024)
<b>Beginning fund balance available for appropriations</b>	50,000	50,000	133,178	134,283	133,178	83,178
	<u>\$ 2,489,600</u>	<u>\$ 2,489,600</u>	<u>\$ 1,222,298</u>	<u>\$ 1,165,739</u>	<u>\$ 2,253,754</u>	<u>\$ (235,846)</u>
<b>Expenditures:</b>						
Personal services	\$ 465,956	\$ 465,956	\$ 239,715	\$ 149,936	\$ 389,651	\$ 76,305
Materials and services	285,500	285,500	83,300	36,294	119,594	165,906
Total expenditures	751,456	751,456	323,015	186,230	509,245	242,211
<b>Other financing uses:</b>						
Transfer to General Fund	1,590,000	1,590,000	\$ 765,000	\$ 820,000	1,585,000	5,000
Total expenditures and other financing uses	2,341,456	2,341,456	1,088,015	1,006,230	2,094,245	247,211
<b>Unappropriated ending fund balance</b>	148,144	148,144	134,283	159,509	159,509	(11,365)
	<u>\$ 2,489,600</u>	<u>\$ 2,489,600</u>	<u>\$ 1,222,298</u>	<u>\$ 1,165,739</u>	<u>\$ 2,253,754</u>	<u>\$ 235,846</u>

FUND ESTABLISHED FISCAL YEAR 2013-2014  
RESOLUTION 16-2014

**CLACKAMAS RIVER WATER**  
**CAPITAL IMPROVEMENT PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**for the year ended June 30, 2017**  
**(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenues:</b>						
Interest income	\$ -	\$ -	\$ 956	\$ 2,293	\$ 3,249	\$ 3,249
Other Operating Inc	-	-	-	3,079	3,079	3,079
ODOT - reimbursement	-	-	-	52,077	52,077	52,077
Total revenues	-	-	956	57,449	58,405	58,405
<b>Other financing sources:</b>						
Transfers from other funds:						
SDC Reserve Fund	-	250,000	-	-	-	(250,000)
Capital Reserve Fund	2,666,000	2,916,000	1,250,000	1,450,000	2,700,000	(216,000)
Total other financing sources	2,666,000	3,166,000	1,250,000	1,450,000	2,700,000	(466,000)
Total revenues and other financing sources	2,666,000	3,166,000	1,250,956	1,507,449	2,758,405	(407,595)
<b>Beginning fund balance available for appropriations</b>	1,000	1,000	26,425	70,694	26,425	25,425
	<u><u>\$ 2,667,000</u></u>	<u><u>\$ 3,167,000</u></u>	<u><u>\$ 1,277,381</u></u>	<u><u>\$ 1,578,143</u></u>	<u><u>\$ 2,784,830</u></u>	<u><u>\$ (382,170)</u></u>
<b>Expenditures:</b>						
Capital Outlay	\$ 2,667,000	\$ 3,167,000	\$ 1,206,687	\$ 1,426,898	\$ 2,633,585	\$ 533,415
Total expenditures	2,667,000	3,167,000	1,206,687	1,426,898	2,633,585	533,415
<b>Unappropriated ending fund balance</b>	-	-	70,694	151,245	151,245	(151,245)
	<u><u>\$ 2,667,000</u></u>	<u><u>\$ 3,167,000</u></u>	<u><u>\$ 1,277,381</u></u>	<u><u>\$ 1,578,143</u></u>	<u><u>\$ 2,784,830</u></u>	<u><u>\$ 382,170</u></u>

**CLACKAMAS RIVER WATER  
CIP BOND CONSTRUCTION FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2017  
(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenues:</b>						
<b>Other financing sources:</b>						
Transfers from other funds:						
General Fund	-	-	-	-	-	-
CRW Reserve Fund	-	-	-	-	-	-
Revenue Bonds Proceeds Fund	\$ -	\$ 6,000,000	\$ 1,000,000	\$ 2,000,000	\$ 3,000,000	\$ (3,000,000)
Federal Grant Fund	-	-	-	-	-	-
Total other financing sources	-	6,000,000	1,000,000	2,000,000	3,000,000	(3,000,000)
Total other financing sources	-	6,000,000	1,000,000	2,000,000	3,000,000	(3,000,000)
<b>Beginning fund balance available for appropriations</b>	-	-	-	810,010	-	-
	<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,810,010</u>	<u>\$ 3,000,000</u>	<u>\$ (3,000,000)</u>
<b>Expenditures:</b>						
Capital Outlay	\$ -	\$ 6,000,000	\$ 189,990	\$ 3,108,821	\$ 3,298,811	\$ 2,701,189
Total expenditures	-	6,000,000	189,990	3,108,821	3,298,811	2,701,189
<b>Unappropriated ending fund balance</b>	-	-	810,010	(298,811)	(298,811)	298,811
	<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,810,010</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

FUND ESTABLISHED FISCAL YEAR 2015-2016  
RESOLUTION 10-2016

**CLACKAMAS RIVER WATER  
REVENUE BOND PROCEEDS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2017  
(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenues:</b>						
Interest income	\$ -	\$ -	\$ 57,765	\$ 238,935	\$ 296,700	\$ 296,700
Total revenues	-	-	57,765	238,935	296,700	296,700
<b>Other financing sources:</b>						
Bond proceeds from financing	-	23,233,000	23,232,246	-	23,232,246	(754)
Total other financing sources	-	23,233,000	23,232,246	-	23,232,246	(754)
Total revenues and other financing sources	-	23,233,000	23,290,011	238,935	23,528,946	295,946
<b>Beginning fund balance available for appropriations</b>	-	-	-	22,065,875	-	-
	<u>\$ -</u>	<u>\$ 23,233,000</u>	<u>\$ 23,290,011</u>	<u>\$ 22,304,810</u>	<u>\$ 23,528,946</u>	<u>\$ 295,946</u>
<b>Expenditures:</b>						
Interest on bonds	\$ -	\$ -	\$ 74,213	\$ -	74,213	\$ (74,213)
<b>Other financing uses:</b>						
Transfer to General Fund	-	269,500	149,923	119,577	269,500	-
Transfer to CIP Bond Construction Fund	-	6,000,000	1,000,000	2,000,000	3,000,000	3,000,000
Total expenditures and other financing uses	-	6,269,500	1,224,136	2,119,577	3,343,713	2,925,787
<b>Unappropriated ending fund balance</b>	-	16,963,500	22,065,875	20,185,233	20,185,233	(3,221,733)
	<u>\$ -</u>	<u>\$ 23,233,000</u>	<u>\$ 23,290,011</u>	<u>\$ 22,304,810</u>	<u>\$ 23,528,946</u>	<u>\$ (295,946)</u>

FUND ESTABLISHED FISCAL YEAR 2015-2016  
RESOLUTION 10-2016



**CLACKAMAS RIVER WATER  
REVENUE BOND FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2017  
(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenue:</b>						
Interest income	\$ 4,800	\$ 4,800	\$ 2,601	\$ 4,366	\$ 6,967	\$ 2,167
<b>Other financing sources:</b>						
Transfers from other funds:						
General Fund	902,375	2,290,290	598,802	1,691,475	2,290,277	(13)
Total other financing sources	902,375	2,290,290	598,802	1,691,475	2,290,277	(13)
Total revenue and other financing sources	907,175	2,295,090	601,403	1,695,841	2,297,244	2,154
<b>Beginning fund balance available for appropriations</b>	478,000	478,000	479,746	482,347	479,746	1,746
	<u>\$ 1,385,175</u>	<u>\$ 2,773,090</u>	<u>\$ 1,081,149</u>	<u>\$ 2,178,188</u>	<u>\$ 2,776,990</u>	<u>\$ 3,900</u>
<b>Expenditures:</b>						
Principal on bonds	\$ 745,000	\$ 1,060,000	\$ 365,000	\$ 695,000	\$ 1,060,000	\$ -
Interest on bonds	157,375	1,230,290	233,802	996,475	1,230,277	13
Total expenditures	902,375	2,290,290	598,802	1,691,475	2,290,277	13
<b>Unappropriated ending fund balance</b>	482,800	482,800	482,347	486,713	486,713	(3,913)
	<u>\$ 1,385,175</u>	<u>\$ 2,773,090</u>	<u>\$ 1,081,149</u>	<u>\$ 2,178,188</u>	<u>\$ 2,776,990</u>	<u>\$ (3,900)</u>

**CLACKAMAS RIVER WATER  
CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2017  
(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenue:</b>						
Interest income	\$ 23,700	\$ 23,700	\$ 25,444	\$ 54,733	\$ 80,177	\$ 56,477
<b>Other financing sources:</b>						
Transfer from General Fund	4,000,000	4,000,000	1,750,000	2,250,000	4,000,000	-
Total revenue and other financing source	4,023,700	4,023,700	1,775,444	2,304,733	4,080,177	56,477
<b>Beginning fund balance available for appropriations</b>	3,393,000	3,393,000	3,507,600	4,033,044	3,507,600	114,600
	<u><b>\$ 7,416,700</b></u>	<u><b>\$ 7,416,700</b></u>	<u><b>\$ 5,283,044</b></u>	<u><b>\$ 6,337,777</b></u>	<u><b>\$ 7,587,777</b></u>	<u><b>\$ 171,077</b></u>
<b>Other financing uses:</b>						
Transfer to CIP Fund	\$ 2,666,000	\$ 2,916,000	\$ 1,250,000	\$ 1,450,000	\$ 2,700,000	\$ 216,000
Total other financing uses	2,666,000	2,916,000	1,250,000	1,450,000	2,700,000	216,000
<b>Unappropriated ending fund balance</b>	4,750,700	4,500,700	4,033,044	4,887,777	4,887,777	(387,077)
	<u><b>\$ 7,416,700</b></u>	<u><b>\$ 7,416,700</b></u>	<u><b>\$ 5,283,044</b></u>	<u><b>\$ 6,337,777</b></u>	<u><b>\$ 7,587,777</b></u>	<u><b>\$ (171,077)</b></u>

**CLACKAMAS RIVER WATER  
RATE STABILIZATION RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2017  
(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenue:</b>						
Interest income	\$ 11,400	\$ 11,400	\$ 7,274	\$ 12,210	\$ 19,484	\$ 8,084
<b>Beginning fund balance</b>						
available for appropriations	1,135,700	1,135,700	1,137,350	1,144,624	1,137,350	1,650
	<u>\$ 1,147,100</u>	<u>\$ 1,147,100</u>	<u>\$ 1,144,624</u>	<u>\$ 1,156,834</u>	<u>\$ 1,156,834</u>	<u>\$ 9,734</u>
<b>Other financing uses:</b>						
Transfer to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing use	-	-	-	-	-	-
<b>Unappropriated ending fund balance</b>						
	1,147,100	1,147,100	1,144,624	1,156,834	1,156,834	(9,734)
	<u>\$ 1,147,100</u>	<u>\$ 1,147,100</u>	<u>\$ 1,144,624</u>	<u>\$ 1,156,834</u>	<u>\$ 1,156,834</u>	<u>\$ (9,734)</u>

**CLACKAMAS RIVER WATER  
SDC RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2017  
(with comparative totals for the year ended June 30, 2016)**

	Budget for the 2015-2017 Bienium		Actual Results			Variance with Final Budget
	Original	Final	FY2015-16 Year 1	FY 2016-17 Year 2	BN 2015-2017 Total	
<b>Revenues:</b>						
Interest income	\$ 1,500	\$ 1,500	\$ 4,562	\$ 12,786	\$ 17,348	\$ 15,848
System development charges	277,800	527,800	644,487	262,468	906,955	379,155
Total revenues	279,300	529,300	649,049	275,254	924,303	395,003
<b>Beginning fund balance available for appropriations</b>	411,200	411,200	415,329	1,064,378	415,329	4,129
	<u>\$ 690,500</u>	<u>\$ 940,500</u>	<u>\$ 1,064,378</u>	<u>\$ 1,339,632</u>	<u>\$ 1,339,632</u>	<u>\$ 399,132</u>
<b>Other financing uses:</b>						
Transfers to other funds:						
Capital Improvement Projects Fund	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Total other financing uses	-	250,000	-	-	-	250,000
<b>Unappropriated ending fund balance</b>	690,500	690,500	1,064,378	1,339,632	1,339,632	(649,132)
	<u>\$ 690,500</u>	<u>\$ 940,500</u>	<u>\$ 1,064,378</u>	<u>\$ 1,339,632</u>	<u>\$ 1,339,632</u>	<u>\$ (399,132)</u>

**CLACKAMAS RIVER WATER**  
**RECONCILIATION OF REVENUES AND EXPENSES**  
**TO CHANGES IN NET POSITION**  
**for the years ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
	<b>Combined</b>	<b>Combined</b>
Revenues	\$ 12,643,798	\$ 35,603,738
Expenses	14,584,194	10,587,274
	(1,940,396)	25,016,464
Add (deduct) items to reconcile to change in net position		
on a GAAP basis:		
Expenses capitalized	5,254,712	1,947,069
Loss on disposal of capital assets		-
Payment of bond principal	695,000	365,000
Bond proceeds	-	(23,232,246)
Increase (decrease) in accrued interest payable on long-term debt	101,366	75,517
Change in Account Principle -Pension Expense	(444,787)	(1,666,858)
Depreciation	(2,052,288)	(2,024,030)
Change in net position	<u>\$ 1,613,607</u>	<u>\$ 480,917</u>

# **STATISTICAL SECTION**



*Clackamas River Water*

This part of Clackamas River Water’s Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditors.

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<b>Financial Trends</b>	<b>52</b>
These schedules contain trend information that may assist the reader in assessing the District’s financial performance by placing it in historical perspective.	
<b>Revenue Capacity</b>	<b>56</b>
These schedules contain information that may assist the reader in assessing the District’s most significant local revenue source, the District water rate.	
<b>Debt Capacity</b>	<b>63</b>
These schedules present information that may assist the reader in analyzing the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
<b>Economic and Demographic Information</b>	<b>65</b>
These schedules offer economic and demographic indicators that may assist the reader in understanding the environment in which the District’s financial activities take place.	
<b>Operating Information</b>	<b>69</b>
These schedules contain service data that may assist the reader in understanding how the information in the District’s financial report relates to the services the District provides and the activities it performs.	

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

**CLACKAMAS RIVER WATER**  
**SCHEDULE OF NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Net Investment in Capital Assets	Restricted / Expendable	Unrestricted	Total Net Position
2017	\$ 48,597,363	\$ 7,433,825	\$ 2,467,722	\$ 58,498,910
2016	46,355,623	7,412,178	3,117,500	56,885,301
2015	47,205,145	5,633,316	3,565,923	56,404,384
(1) 2014 Restated	46,859,257	4,977,188	3,185,675	55,022,120
(1) 2013 Restated	45,127,061	6,632,843	2,161,544	53,921,448
2012	45,093,351	7,717,351	1,719,657	54,530,359
2011	44,422,001	9,381,946	1,928,663	55,732,610
2010	44,280,046	10,098,314	2,997,543	57,375,903
2009	42,989,749	10,354,518	3,352,570	56,696,837
2008	42,072,018	10,363,827	3,416,599	55,852,444

(1) 2014 and 2013 was restated for transitional liability pension. Prior years may not be comparable.

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Source: Clackamas River Water Comprehensive Annual Financial Reports and Financial Statements



**CLACKAMAS RIVER WATER**  
**CHANGE IN NET POSITION**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
<b>Operating Revenues:</b>				Restated	Restated
Water Sales	\$ 11,368,920	\$ 10,887,335	\$ 9,955,874	\$ 8,815,333	\$ 8,035,375
Other	343,469	306,729	201,576	203,484	294,236
<b>Total operating revenues</b>	<b>11,712,389</b>	<b>11,194,064</b>	<b>10,157,450</b>	<b>9,018,817</b>	<b>8,329,611</b>
<b>Operating Expenses:</b>					
Water Resources	3,241,595	3,287,224	2,445,623	2,568,488	2,591,089
System Operations	1,590,409	1,893,554	1,002,488	1,461,265	1,332,091
Finance, Accounting and Customer Service	1,156,046	1,411,476	841,856	972,660	867,780
Administrative Services	1,649,556	2,239,563	1,540,718	1,711,775	1,563,516
Engineering	827,981	709,806	261,016	465,458	424,690
Board of Commissioners	127,115	178,896	89,021	129,577	182,102
CRWSC Activity	186,230	323,015	25,593	984	-
Overhead and equipment charges allocated and capitalized	(271,482)	(192,858)	(156,987)	(240,708)	(147,856)
Depreciation	2,052,288	2,024,030	1,905,567	1,846,508	1,853,297
<b>Total operating expenses</b>	<b>10,559,738</b>	<b>11,874,706</b>	<b>7,954,895</b>	<b>8,916,008</b>	<b>8,666,709</b>
Operating income:	1,152,651	(680,642)	2,202,555	102,809	(337,098)
Nonoperating revenues (expense)					
Federal award and other			-	393,909	70,000
Investment earnings on cash equivalents	356,281	117,890	42,650	41,317	45,131
Interest income from note receivable	-	-	-	-	5,169
Rental income	104,818	108,272	104,801	101,924	99,130
Other	207,842	306,779	177,677	21,151	26,847
Gain (loss) from disposal of capital assets	-	-	(438)	(562)	-
Interest expense (net)	(869,265)	(153,915)	(54,033)	(47,172)	(77,039)
Nonoperating income (expense) - net	(200,324)	379,026	270,657	510,567	169,238
<b>Net Income before Capital Contributions</b>	<b>952,327</b>	<b>(301,615)</b>	<b>2,473,212</b>	<b>613,376</b>	<b>(167,860)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>661,280</b>	<b>782,532</b>	<b>556,353</b>	<b>473,086</b>	<b>388,187</b>
Change in Net Position, prior period adjustment:	-	-	(1,647,300)	(815,028)	(829,238)
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,613,607</b>	<b>\$ 480,917</b>	<b>\$ 1,382,265</b>	<b>\$ 271,434</b>	<b>\$ (608,911)</b>

Source: Clackamas River Water Comprehensive Annual Financial Reports and Financial Statements

**CLACKAMAS RIVER WATER**  
**CHANGE IN NET POSITION**  
**Last Ten Fiscal Years**

	2012 (1)	2011 (1)	2010	2009	2008
<b>Operating Revenues:</b>					Restated
Water Sales	\$ 6,760,994	\$ 6,522,923	\$ 6,885,983	\$ 7,119,235	\$ 6,718,938
Other	161,270	272,539	278,816	344,102	172,709
<b>Total operating revenues</b>	<b>6,922,264</b>	<b>6,795,462</b>	<b>7,164,799</b>	<b>7,463,337</b>	<b>6,891,647</b>
<b>Operating Expenses:</b>					
Water Resources	2,441,134	2,486,907	2,186,667	2,188,474	2,126,837
System Operations	1,378,394	1,156,549	1,295,568	1,460,683	1,344,771
Finance, Accounting and Customer Service	945,548	939,928	923,743	-	-
Administrative Services	1,647,006	1,641,516	1,808,687	2,407,023	2,455,521
Engineering	425,856	793,297	404,518	367,106	336,193.00
Board of Commissioners	181,797	313,248	138,314.00	-	-
CRWSC Activity	-	-	-	-	-
Overhead and equipment charges allocated and capitalized	(148,095)	(207,086)	(147,025)	(201,908)	(243,474)
Depreciation	1,824,342	1,845,315	1,707,244	1,727,249	1,634,644
<b>Total operating expenses</b>	<b>8,695,982</b>	<b>8,969,674</b>	<b>8,317,716</b>	<b>7,948,627</b>	<b>7,654,492</b>
Operating income:	(1,773,718)	(2,174,212)	(1,152,917)	(485,290)	(762,845)
Nonoperating revenues (expense)					
Federal award and other	35,383	141,927	624,809	925,798	-
Investment earnings on cash equivalents	46,405	56,489	78,123	257,588	565,552
Interest income from note receivable	7,241	8,311	9,319	10,279	15,393
Rental income	96,417	92,284	84,775	68,647	69,783
Other	53,133	18,137	174,318	75,582	(7,239)
Gain (loss) from disposal of capital assets	(18,226)	(52,849)	-	(523)	-
Interest expense (net)	(75,492)	(112,700)	(129,335)	(271,626)	(292,281)
Nonoperating income (expense) - net	144,861	151,599	842,009	1,065,745	351,208
<b>Net Income before Capital Contributions</b>	<b>(1,628,857)</b>	<b>(2,022,613)</b>	<b>(310,908)</b>	<b>580,455</b>	<b>(411,637)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>426,606</b>	<b>379,320</b>	<b>989,974</b>	<b>263,938</b>	<b>776,170</b>
Change in Net Position, prior period adjustments					(623,485)
<b>CHANGE IN NET POSITION</b>	<b>\$ (1,202,251)</b>	<b>\$ (1,643,293)</b>	<b>\$ 679,066</b>	<b>\$ 844,393</b>	<b>\$ (258,952)</b>

(1) Transitional liability restatement was not included as information was not available. These years may not be comparable to restated years.

Source: Clackamas River Water Comprehensive Annual Financial Reports and Financial Statements

**CLACKAMAS RIVER WATER**  
**CAPITAL CONTRIBUTIONS BY SOURCE**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>System Development Charges</b>	<b>Connection Fees</b>	<b>Contributed Infrastructure</b>	<b>Total Capital Contributions</b>
2017	\$ 262,468	\$ 114,559	\$ 284,253	\$ 661,280
2016	644,487	114,390	23,655	782,532
2015	243,336	88,892	224,125	556,353
2014	167,096	86,754	219,236	473,086
2013	120,998	90,881	176,308	388,187
2012	85,911	65,695	275,000	426,606
2011	187,501	68,732	123,087	379,320
2010	107,380	21,779	860,815	989,974
2009	157,958	-	105,980	263,938
2008	461,316	-	314,854	776,170

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Source: Clackamas River Water Records

**CLACKAMAS RIVER WATER  
COMPARISON OF WATER SOLD TO  
WATER SUPPLIED IN HUNDRED CUBIC FEET  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	North Service Area			South Service Area				Total		
	Water Sold	Water Produced	Ratio	Water Sold	Water Purchased	Water Produced	Ratio	Water Sold	Water Supplied	Ratio
2017	3,143,120	3,345,695	93.9	644,695	735,484	-	87.7	3,787,815	4,081,179	92.8
2016	3,190,319	3,448,384	92.5	729,651	829,715	-	87.9	3,919,970	4,278,099	91.6
2015	3,159,132	3,466,714	91.1	661,147	807,818	-	81.8	3,820,279	4,274,532	89.4
2014	3,050,963	3,318,539	91.9	639,324	788,754	-	81.1	3,690,287	4,107,293	89.8
2013	3,158,722	3,412,055	92.6	684,871	666,301	129,803	86.0	3,843,593	4,208,159	91.3
2012	3,016,986	3,265,033	92.4	575,567	599,662	107,779	81.4	3,592,553	3,972,475	90.4
2011	3,074,421	3,211,932	95.7	615,018	570,450	119,835	89.1	3,689,439	3,902,217	94.5
2010	3,149,458	3,242,080	97.1	699,150	593,046	138,396	95.6	3,848,608	3,973,522	96.9
2009	3,302,360	3,445,896	95.8	751,157	621,279	165,088	95.5	4,053,517	4,232,263	95.8
2008	3,448,453	3,505,731	98.4	711,238	654,617	128,934	90.8	4,159,691	4,289,282	97.0

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Source: Clackamas River Water Records

**CLACKAMAS RIVER WATER**  
**DISTRIBUTION OF WATER SALES IN DOLLARS**  
**Last Ten Fiscal Years**

**Water Sold In Dollars**

<b>Fiscal Year</b>	<b>Direct</b>							
<b>Ended</b>	<b>Percent</b>	<b>Industrial /</b>	<b>Percent</b>	<b>Direct</b>	<b>Percent</b>	<b>Residential (2)</b>	<b>Percent</b>	<b>Total (1)</b>
<b>June 30,</b>	<b>Wholesale(2)</b>	<b>of Total</b>	<b>Commercial (2)</b>	<b>of Total</b>	<b>of Total</b>	<b>of Total</b>	<b>of Total</b>	
2017	\$ 820,589	7.3	\$ 4,814,714	42.9	\$ 5,579,713	49.8	\$ 11,215,016	
2016	\$ 803,145	7.4	\$ 4,676,994	42.9	\$ 5,414,207	49.7	\$ 10,894,346	
2015	784,506	8.0	4,294,834	44.1	4,669,156	47.9	9,748,496	
2014	755,849	8.8	3,756,360	43.5	4,118,075	47.7	8,630,283	
2013	581,317	7.3	3,598,923	45.2	3,778,375	47.5	7,958,615	
2012	573,886	8.6	2,995,837	44.6	3,139,897	46.8	6,709,620	
2011	571,809	8.6	2,894,595	43.7	3,152,192	47.6	6,618,597	
2010	575,930	8.2	3,031,481	43.1	3,430,538	48.7	7,037,948	
2009	575,773	7.9	3,208,880	44.0	3,511,930	48.1	7,296,583	
2008	575,169	8.7	2,949,065	44.6	3,090,379	46.7	6,614,614	

(1) Total water sold does not include water sold on fire hydrant permits. Total Water Revenue on The Statement of Revenues, Expenses, and Changes in Net Position includes water sales on fire hydrant permits and accrued unbilled water sales.

(2) Water sold amounts updated to reflect Eden computer system records.

Source: Clackamas River Water Records

**CLACKAMAS RIVER WATER**  
**DISTRIBUTION OF WATER SOLD BY VOLUME**  
**Last Ten Fiscal Years**

Water Sold in Hundred Cubic Feet

<b>Fiscal Year</b>			<b>Direct</b>				
<b>Ended</b>		<b>Percent</b>	<b>Industrial /</b>	<b>Percent</b>	<b>Direct</b>	<b>Percent</b>	
<b>June 30,</b>	<b>Wholesale (1)</b>	<b>of Total</b>	<b>Commercial (1)</b>	<b>of Total</b>	<b>Residential (1)</b>	<b>of Total</b>	<b>Total</b>
2017	1,218,604	32.4	1,462,030	38.9	1,082,282	28.8	3,762,916
2016	1,219,751	31.1	1,496,116	38.2	1,204,103	30.7	3,919,970
2015	1,234,550	32.3	1,450,490	38.0	1,135,393	29.7	3,820,433
2014	1,223,505	33.2	1,344,349	36.4	1,122,433	30.4	3,690,287
2013	1,223,865	31.8	1,443,102	37.5	1,176,626	30.6	3,843,593
2012	1,239,597	33.3	1,369,885	36.8	1,112,951	29.9	3,722,433
2011	1,224,000	33.2	1,228,974	33.3	1,236,464	33.5	3,689,438
2010	1,223,821	31.8	1,270,692	33.0	1,354,095	35.2	3,848,608
2009	1,222,618	30.2	1,357,619	33.5	1,473,280	36.3	4,053,517
2008	1,160,710	27.9	1,595,740	38.4	1,403,241	33.7	4,159,691

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(1) Water sold amounts updated to reflect Eden computer system records.

Source: Clackamas River Water Records

# CLACKAMAS RIVER WATER APPLICATIONS FOR WATER SERVICE

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Applications for Water Service			Total Applications for Water Service
	Domestic Residential (3/4" Meter)	Domestic Commercial (1" Meter & Up)	Fire Protection (All Sizes)	
2017	55	12	1	68
2016	70	10	0	80
2015	43	6	0	49
2014	30	8	4	42
2013	26	3	2	31
2012	18	5	1	24
2011	56	6	1	63
2010	39	2	3	44
2009	53	4	3	60
2008	79	18	2	99

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Source: Clackamas River Water Records

**CLACKAMAS RIVER WATER**  
**NUMBER OF WATER CUSTOMERS BY TYPE**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Mult Family</b>						<b>Total</b>
<b>Ended June 30,</b>	<b>Residential</b>	<b>/Trailer Parks</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Fire Service</b>	<b>Other</b>	
2017	11,197	226	799	53	345	210	12,830
2016	10,877	225	831	53	340	181	12,507
2015	10,668	214	801	51	334	138	12,206
2014	10,623	222	802	52	330	148	12,177
2013	10,739	222	802	52	328	153	12,296
2012	11,595	229	800	57	328	182	13,191
2011	11,495	235	820	55	327	184	13,116
2010	11,484	230	815	56	324	184	13,093
2009	11,371	235	822	55	317	184	12,984
2008	11,391	234	834	59	304	184	13,006

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Source: Clackamas River Water Records



# CLACKAMAS RIVER WATER

## MONTHLY SERVICE CHARGE

### Residential Users - North and South Service Areas

<b>Fiscal Year Ended June 30,</b>	<b>Minimum Monthly Service Charge</b>	<b>Rate for First CCF (1)</b>
2017	\$ 23.53	\$ 2.01
2016	22.25	1.90
2015	17.62	1.90
2014	13.45	1.90
2013	9.54	1.90
2012	8.35	1.66
2011	5.85	1.60
2010	5.85	1.60
2009	5.85	1.60
2008	5.85	1.60

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(1) CCF means one hundred cubic feet

One hundred cubic feet of water is equal to approximately 748 gallons

Source: Clackamas River Water Records

**CLACKAMAS RIVER WATER**  
**LARGEST WATER CONSUMERS**  
**FOR THE YEARS ENDED JUNE 30, 2017 and 2008**

Consumer	2017		2008	
	Consumption (Hundred Cubic Feet)	Percent of District Total	Consumption (Hundred Cubic Feet)	Percent of District Total
<b>Wholesale:</b>				
Sunrise Water Authority	1,218,604	34.60%	1,160,710	37.3%
North Clackamas County Water Commission	-	-		
<b>Commercial:</b>				
Precision Castparts Corporation	171,207	4.9	135,893	4.4
Safeway	67,723	1.9	80,995	2.6
Fred Meyer, Inc.	40,609	1.2	41,705	1.3
Pacific Seafood	23,395	0.7	16,586	0.5
Clackamas Town Center	22,108	0.6	26,367	0.8
Interstate Meats	20,564	0.6	15,547	0.5
Larsen Creamery Inc	17,396	0.5	7,796	0.3
N Clackamas School District #12	11,388	0.3	15,178	0.5
N Clackamas Parks & Rec	14,531	0.4	18,566	0.6
Monarch Motor Hotel	10,045	0.3	13,647	0.4
Unified Western Grocers	8,306	0.2	11,071	0.4
Costco Utility Bills	7,875	0.2	13,655	0.4
Clackamas Promenade	6,816	0.2	12,250	0.4
<b>Multi-family:</b>				
Country Village Mobile Home Park	44,147	1.3	53,670	1.7
Easton Ridge Apartments	35,629	1.0		0.0
Clackamas Trails	26,447	0.8	28,351	0.9
Johnson City	21,729	0.6	26,090	0.8
Overlook at Causey	21,714	0.6	20,374	0.7
Reflections at Happy Valley	18,605	0.5	-	0.0
Giadan K Estates	15,045	0.4	15,946	0.5
CAP VII - Happy Valley LLC	14,349	0.4	-	0.0
Hearthwood Village MHP	13,918	0.4	14,313	0.5
Village Place Apartments	13,330	0.4	11,073	0.4
The Fountains at Town CTR	12,430	0.4	13,055	0.4
Oak Acres Mobile Home Park	11,727	0.3	18,436	0.6
Pardes, LLC	10,213	0.3	10,339	0.3
Pointe West Apartments	7,576	0.2	13,576	0.4
Equity Lifestayle Properties	8,956	0.3	13,253	0.4
The Fountains at Town Center	12,430	0.4	13,055	0.4
Ed Lucas Investment Property	9,448	0.3	12,317	0.4
All Other Consumers	1,583,978	45.0	1,281,441	41.1
	<b>3,522,238</b>	<b>100.0%</b>	<b>3,115,255</b>	<b>100.0%</b>

Source: Clackamas River Water Records

**CLACKAMAS RIVER WATER**  
**Ratio of Bonded Debt to Personal Income**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Revenue Bonds (1)</b>	<b>District Bonded Debt per Capita (2)</b>	<b>Clackamas County Per Capita Income (3)</b>	<b>As a Share Of Personal Income (4)</b>
2017	\$ 27,984,328	\$ 559.69	N/A	N/A
2016	25,331,293	506.63	51,379	0.99%
2015	2,430,000	48.60	50,169	0.10%
2014	2,790,000	55.80	48,713	0.11%
2013	3,130,000	62.60	49,453	0.13%
2012	3,665,000	73.30	48,286	0.15%
2011	4,175,000	83.50	46,275	0.18%
2010	4,680,000	93.60	44,954	0.21%
2009	5,210,000	104.20	43,646	0.24%
2008	5,625,000	112.50	44,803	0.25%

Notes:

- (1) Revenue bonds are the only kind of bonded debt - Includes Series 2009 and Series 2016 as of March 2016
- (2) Estimated District population 50,000
- (3) Data is for calendar year.
- (4) Clackamas County personal income data

Source: Clackamas River Water Annual Financial Statements and Records

US Census Bureau, American Community Survey

Department of Human Resources, State of Oregon,

Employment Division, Clackamas County

**CLACKAMAS RIVER WATER  
REVENUE PLEDGED COVERAGE  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2017	\$ 12,381,330	\$ 8,507,450	\$ 3,873,880	\$695,000	\$ 996,475	\$ 1,691,475	2.29
2016	\$ 11,727,005	\$ 9,850,677	\$ 1,876,328	\$365,000	\$ 233,802	\$ 598,802	3.13
2015	10,482,578	6,049,766	4,432,812	360,000	95,555	455,555	9.73
2014	9,577,118	7,111,473	2,465,645	340,000	106,460	446,460	5.52
2013	8,575,888	6,890,451	1,685,437	535,000	119,585	654,585	2.57
2012 (4)	8,160,845	6,965,358	1,195,487	515,000	135,260	650,260	1.84
2011 (4)	7,944,110	7,124,369	819,741	505,000	124,142	629,142	1.30
2010	7,979,143	6,481,137	1,498,006	435,000	269,461	704,461	2.13
2009	8,816,967	6,509,263	2,307,704	415,000	290,820	705,820	3.27
2008 (Restated)	8,020,164	6,335,841	1,684,323	390,000	328,610	718,610	2.34

Notes:

(1) Total revenues, including interest and system development charges. Excludes local improvement district assessments.

(2) Total operating expenses exclusive of depreciation, and includes loss from sales of assets and interest expense.

(3) Includes principal and interest of revenue bonds only. It does not include general obligation bonds funded by taxes or revenues.

(4) Total revenues includes transfer from Rate Stabilization Reserve Fund during first quarter of fiscal year of following fiscal year.

Source: Clackamas River Water Annual Financial Statements and Records

**CLACKAMAS RIVER WATER**  
**DEMOGRAPHIC STATISTICS**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Population (1)</b>	<b>Personal Income (1) (thousands of dollars)</b>	<b>Per Capita Personal Income (2)</b>	<b>Clackamas County Unemployment Rate (3)</b>	<b>Portland Metropolitan Area Unemployment Rate (4)</b>
2017	N/A	N/A	N/A	4.1	4.5
2016	408,062	20,965,832	51,379	4.2	5.1
2015	401,515	20,125,378	50,169	5.1	5.5
2014	394,972	19,240,407	48,713	5.9	6.1
2013	388,263	19,200,727	49,453	6.9	7.4
2012	383,857	18,535,004	48,286	7.7	8.5
2011	379,984	17,583,715	46,275	8.6	9.9
2010	381,775	17,162,313	44,954	10.0	10.7
2009	379,845	16,578,715	43,646	10.7	9.3
2008	376,660	16,875,498	44,803	4.6	5.4

(1) For Clackamas County.

(2) Data is for calendar years.

(3) Data is for Month of May each calendar year

(4) Includes Clackamas, Multnomah, Washington, and Yamhill Counties in Oregon.

**CLACKAMAS RIVER WATER**  
**MAJOR EMPLOYERS WITHIN CRW DISTRICT**  
**FOR THE YEARS ENDED JUNE 30, 2017 and 2008**

<b>Name</b>	<b>Product or Service</b>	<b>2017</b>	<b>2008</b>
		<b>Estimated Employment</b>	<b>Estimated Employment</b>
Precision Castparts Corp.	Investments Castings	2,600	2,075
Fred Meyer, Inc.	Distribution Center	1,500	1,100
Safeway Stores, Inc.	Distribution Center and Bakery	1,292	650
Warn Industries - Portland	4-Wheel Drive After Market Equipment	850	526
United Grocers, Inc.	Warehouse/Offices/Retail Trade	630	-
Camp Withycombe	Oregon National Guard/Oregon Military	610	610
Sears	Department Store	400	300
Oregon Iron Works	Steel Fabrication	400	200
Pacific Seafood, Inc	Distribution Center	300	300
Costco	Shopping Club	300	350
J.C. Penney Co.	Department Store	400	300
Gourmet Award Foods NW/KeHE	Distribution Center	250	250
Nordstrom	Department Store	225	225
VCA Animal Hospital	Veternary services	150	95

Source: North Clackamas County Chamber of Commerce  
Source: ReferenceUSA

**CLACKAMAS RIVER WATER**  
**ADMINISTRATIVE AND OPERATIONAL**  
**FULL TIME EQUIVALENT EMPLOYEES**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>			
<b>Ended</b>			
<b>June 30,</b>	<b>Administrative</b>	<b>Operational</b>	<b>Total</b>
2017	12	28	40
2016	12	28	40
2015	12	26	38
2014	14	26	40
2013	13	26	39
2012	13	26	39
2011	13	24	37
2010	13	24	37
2009	9	25	34
2008	15	21	36

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Source: Clackamas River Water Payroll Records

**CLACKAMAS RIVER WATER**  
**Customer Account Write Offs as a Percentage of Sales**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>			
<b>Ended</b>			
<b>June 30,</b>	<b>Water Sales</b>	<b>Write Offs</b>	<b>% of Sales</b>
2017	\$ 11,179,814	\$ 13,159	0.12%
2016	10,887,335	9,347	0.09%
2015	9,955,874	7,097	0.07%
2014	8,815,333	8,030	0.09%
2013	8,035,375	11,090	0.14%
2012	6,760,994	9,185	0.14%
2011	6,522,923	6,649	0.10%
2010	6,885,983	9,396	0.14%
2009	7,119,235	7,985	0.11%
2008	6,718,938	5,377	0.08%

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Source: Clackamas River Water Records



**CLACKAMAS RIVER WATER  
OPERATING INDICATORS  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Size of Watershed Square Miles</b>	<b>(1) Average Daily Production (MGD) (2)</b>	<b>(1) Peak Day Production (MGD) (2)</b>	<b>Miles of Water Mains (2)</b>	<b>Water Storage Capacity (MGD) (3)</b>	<b>Number of Pump Stations</b>
2017	942	6.86	13.39	262	23.05	10
2016	942	7.07	14.76	262	23.05	10
2015	942	7.11	17.19	262	24.45	10
2014	942	6.81	16.18	262	24.45	10
2013	942	8.63	12.57	262	24.35	10
2012	942	8.14	13.43	262	24.35	10
2011	942	8.00	12.43	210	23.05	10
2010	942	8.14	14.75	210	23.05	10
2009	942	8.67	13.58	210	23.05	10
2008	942	8.79	13.65	210	23.05	10

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(1) Average Daily Production from Clackamas River Water's Water Treatment Plant, Well 1, and South Fork Water Board

(2) Miles of water mains updated after completion of map conversion

(3) MGD is Million Gallons per Day

Source: Clackamas River Water Operations and Engineering Records

**Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Oregon Auditing Standards**

Board of Commissioners  
Clackamas River Water

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the basic financial statements of Clackamas River Water District (the "District"), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenue, expense, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements and have issued our report thereon dated December 29, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance of which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2017 and 2018.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

## **Purpose of this Report**

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



Julie Desimone, Partner  
for Moss Adams LLP  
Portland, Oregon  
December 29, 2017