

Comprehensive Annual Financial Report

For the fiscal years ended
June 30, 2015 and 2014



Clackamas River Water
Clackamas, Oregon

CLACKAMAS RIVER WATER
CLACKAMAS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal years ended June 30, 2015 and 2014

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 28, 2015

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, 2015. 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, 2015, and the results of operations for fiscal year 2014-2015.

Moss Adams, LLP, Certified Public Accountants, have issued an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2015. 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, Operations, Engineering, and Finance, Accounting and Customer Service. For the fiscal year 2014-2015 budget year, CRW has an authorized 39.2 full-time equivalent positions, the same as in the prior year.

In addition to serving the customers of CRW, the District provides water quality laboratory testing services to other water providers, shares GIS, Engineering, Human Resources, Finance, Contracting and Procurement services with SWA 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 2014-2015 water sales accounted for 98.0 percent of total operating revenues, up from 97.7 percent in fiscal 2013-2014.

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 2015 CRW has expanded 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 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 master plan by the December 31, 2015 due date.

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 2015. Revenue from SDC's has been down in recent years due to limited infill potential in the District because of land use and zoning laws, so the reserve balance of the account has been reduced by planned expenditures for current CIP per the Water System Master Plan. The District is in the process of updating the SDC rate methodology.

Water system costs are influenced by several notable factors:

- Additional requirements contained in the 1996 reauthorization of the Federal Safe Drinking Water Act, include a new emphasis on source protection;
- Increased Federal and State regulation;
- 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, 2015, based upon a cost of service analysis and includes 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 24.9 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 12,000 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 50,000 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 business has slowed in recent years. Examples of growth that required new water services within CRW's boundary during the year include:

- 43 new domestic residential services
- 6 domestic commercial connections

Total new service connections were up by 7 connections over the prior year. Current year activity is also tracking higher indicating an improving economy. Factors that impact growth within CRW's service territory include National economic trends and Urban Growth Boundary adjustments by Metro and the Regional Government.

Household water usage has declined over the past decade as customers replace older fixtures and appliances with more efficient ones. The downward impact on CRW revenue due to conservation has been fairly significant, particularly when combined with slow economic growth.

CRW will continue to monitor these trends to assess potential impacts on its operations and customers. The District's diverse customer base, low level of long-term debt, 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 eight percent of the District's water sales revenue during fiscal year 2014-2015.

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. Implementation of the integration plan is in process and we anticipate benefits from economies of scale, efficiencies of operations, and effective utilization of the expertise resident in each organization.

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 is a continuing focus. The design of CRW's Master Plan, including capital improvements for all services areas, will enable CRW to maintain high levels of customer service and deliver quality drinking water. In FY 2014-2015, CRW spent over \$1,174,000 on its capital program, including work on the numerous water line installations, and rehabilitation projects.

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.

Fiscal Year 2015 in Review

During fiscal year 2014-2015, 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 Highway 212/224 known as the JTA project. This project is should be completed in fiscal year 2015-2016. Portions of the project that are ODOT jurisdiction include partial reimbursement of CRW costs. The County activity does not include reimbursement. And the District is working on Phase One and Two of the Carver Bridge project to connect water lines from the north service area to some customers within the south service area.
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 with SWA since January 2015
 - b. The Human Resources Manager has provided human resource services to SWA.
 - c. Contracting and Procurement Services
 - d. GIS Services – a continuation of the MOU with SWA from the past
 - e. Water Quality testing, sampling and flushing within the SWA territory
3. *CRW's use of SWA services.* CRW has utilized services from SWA including:
 - a. Administrative support for Board meetings
 - b. Engineering design services
4. *Water Rate Review and Analysis.* In May 2015 CRW implemented year two of the eight year rate plan as approved by the Board of Commissioners. The approved rate structure will ensure sufficient resources for operations and capital improvements.
5. *Department of Environmental Quality (DEQ) 319 grant.* The 319 grant begun in fiscal year 2013-2014 continues and will benefit CRW by identifying areas where septic systems in the watershed are failing. Areas with failing septic systems will be targeted for outreach and mitigation through the collaborative efforts of the Clackamas Regional Water Providers, DEQ, and the Clackamas Soil and Water Conservation District. Fixing leaky septic systems decreases the microbial pollution load to the Clackamas River, lowering the cost of treatment and making the water cleaner and safer.

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. All internal control evaluations are considered within these guidelines and those required by the outside auditor.

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 November 14, 2013. 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 budget annually 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 the fiscal year within the limits set by those appropriations. Appropriations adopted by the Board lapse at the end of the fiscal year.

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 2014, the Board approved a supplemental budget of \$18,500 to reflect new revenue from an Urban Area Security Initiative grant program for the purchase of overland pipe that can be used for emergency water distribution. This supplemental budget increased the appropriation for Capital Outlay in the General fund by \$18,500. Additionally, the Board approved the creation of a new fund and associated budget transfer of \$1,000 to the CRWSC Activity Fund.

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 rate increase was effective with the June 30, 2015 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, 2104. 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 Budget for fiscal year beginning July 1, 2014. 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 interests and support in planning and conducting the financial operations of CRW in a responsible and progressive manner.

Respectfully submitted,

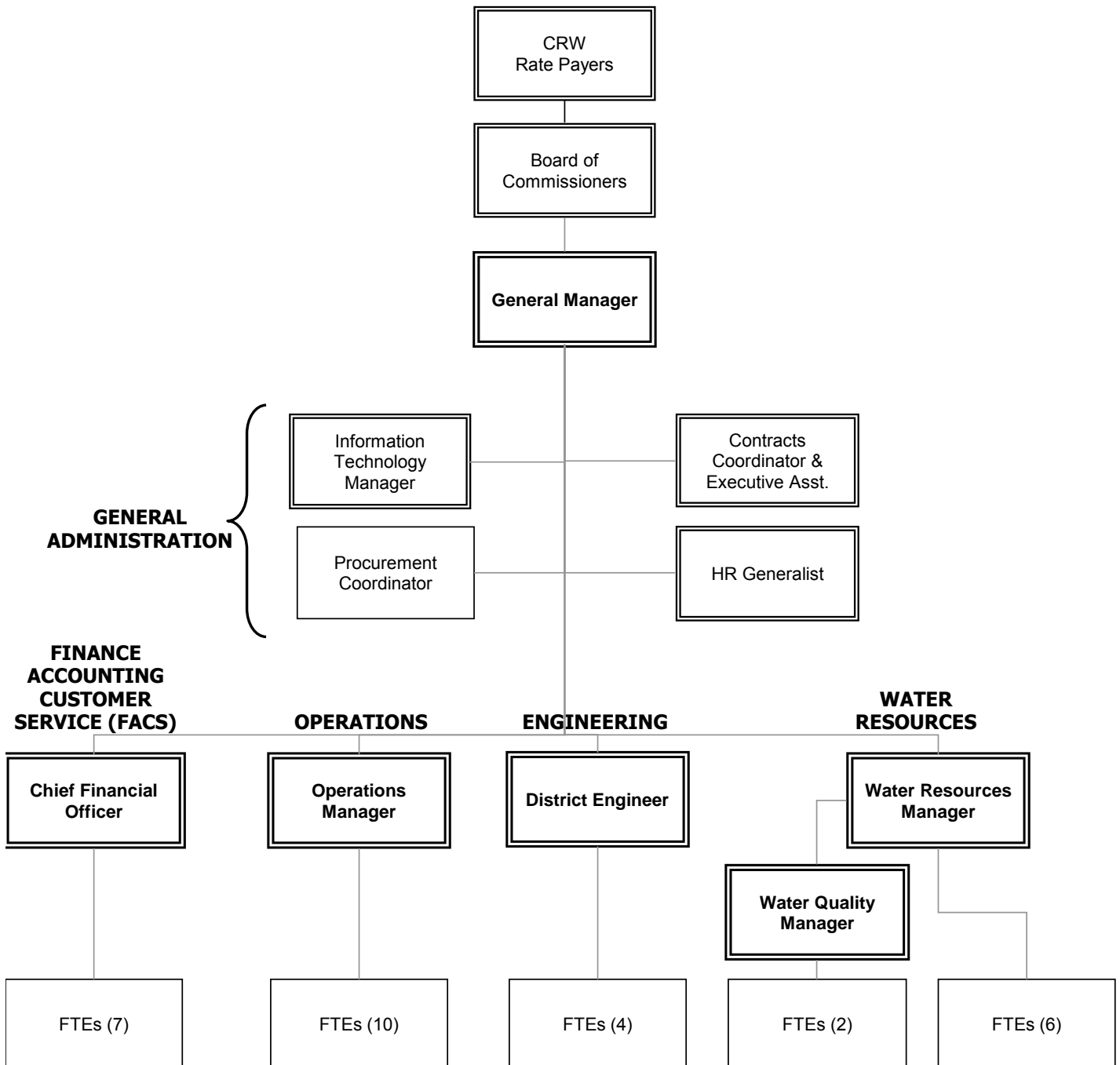


Lee E. Moore, Sr.
General Manager



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, 2015

Name	Term Expires
Larry Sowa, President	June 30, 2017
Kenneth Humberston, Secretary	June 30, 2017
Hugh Kalani, Treasurer	June 30, 2017
Grafton Sterling, Commissioner	June 30, 2015
David McNeel, Commissioner	June 30, 2015

Leadership Team

Lee E. Moore, Sr	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	Operations Manager/Principle Engineer
Suzanne DeLorenzo	Water Quality Manager
Adora Campbell	Human Resources Generalist



Government Finance Officers Association

**Certificate of
Achievement
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Presented to

**Clackamas River Water
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive, flowing style with a prominent 'J' and 'E'.

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, 2015 and 2014, 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.

REPORT OF INDEPENDENT AUDITORS (continued)

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, 2015 and 2014, 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the District adopted the provisions of GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective July 1, 2014. The beginning of year net position has been adjusted for this change. Our opinion is not modified with respect to this matter.

As described in Note 14 to the financial statements, the District restated the June 30, 2014 financial statements for the correction of an error. The error was attributable to the understatement of a liability related to a transitional liability, which should have been previously recorded. Our opinion is not modified with respect to this matter.

Other Matter

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 asset, 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 and Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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.

REPORT OF INDEPENDENT AUDITORS (continued)

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.

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.

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 28, 2015, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
December 28, 2015

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 and 2014**

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, 2015. 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, 2015 by \$56,404,384 (net position). Of this amount, \$3,565,923 (unrestricted net position) may be used to meet ongoing obligations and \$5,633,316 (restricted or reserved net position) are held for debt service, pension, and capital projects. The balance, \$47,205,145 is net investment in capital assets.
- The District's net position increased by \$1,382,264, or 2.5 percent, over the prior year, a result of increases in 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 were \$10,157,450, an increase of \$1,138,633, or 12.6 percent, over fiscal year 2014. The increase in the current year is mainly due to an increase in wholesale rates, effective July 1, 2013 and the retail rate increase effective May 1, 2014. Operating Expenses before depreciation totaled \$6,049,329, a decrease of \$1,020,172, or 14.2 percent, over fiscal year 2014. The difference between operating revenues and expenses resulted in a Net Operating Gain totaling \$2,202,554, compared to \$102,809 in fiscal year 2014.
- Capital assets, net of accumulated depreciation, totaled \$49,706,798 at June 30, 2015, a decrease of \$27,525, or .1%, from fiscal year 2014. Depreciation expense totaled \$1,905,567 in fiscal year 2015.

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. In addition to these 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.

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.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2015 and 2014**

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. This statement is 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					
	2015	2014 Restated	Difference 2015-2014	Percent Change	2013 Restated
Assets					
Current assets	\$11,572,657	\$10,176,345	\$1,396,312	13.7%	\$10,467,287
Other assets	905,788	-	905,788	NA	29,665
Capital assets	49,706,798	49,734,323	(27,525)	-0.1%	48,355,541
Total Assets	<u>62,185,243</u>	<u>59,910,668</u>	<u>2,274,575</u>	3.8%	<u>58,852,493</u>
Deferred Outflows	399,300	18,268	381,032	2085.8%	21,149
Total Assets and Deferred Outflows	<u>62,584,543</u>	<u>59,928,936</u>	<u>2,655,607</u>	4.4%	<u>58,873,642</u>
Liabilities					
Current liabilities	1,499,237	1,574,747	(75,510)	-4.8%	1,229,622
Non-current liabilities	2,933,118	3,332,069	(398,951)	-12.0%	3,722,572
Total Liabilities	<u>4,432,355</u>	<u>4,906,816</u>	<u>(474,461)</u>	-9.7%	<u>4,952,194</u>
Deferred Inflows	1,747,804	-	1,747,804		-
Total Liabilities and Deferred Inflows	<u>6,180,159</u>	<u>4,906,816</u>	<u>1,273,343</u>	26.0%	<u>4,952,194</u>
Net Position					
Net investment in capital assets	47,205,145	46,859,257	345,888	0.7%	45,127,061
Restricted	5,633,316	4,977,188	656,128	13.2%	6,632,843
Unrestricted	3,565,923	3,185,675	380,248	11.9%	2,161,544
Total net position	<u>\$56,404,384</u>	<u>\$55,022,120</u>	<u>\$1,382,264</u>	2.5%	<u>\$53,921,448</u>
Total Liabilities and Net Position	<u>\$62,584,543</u>	<u>\$59,928,936</u>	<u>\$907,803</u>	1.5%	<u>\$58,873,642</u>

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2015 and 2014**

- Total assets increased this fiscal year by \$2,655,607, or 4.43%, and totaled \$62,584,543, \$59,928,936 and \$58,852,492 for fiscal years ended June 30, 2015, 2014 and 2013, respectively. Current assets increased by \$1,396,312, or 13.7%, and capital assets decreased by \$27,525, or .1%, for fiscal year 2015. Each of the current asset categories showed growth in fiscal year 2015, particularly cash and cash equivalents (unrestricted and restricted) and accounts receivable (net). The reduction in capital assets resulted accumulated depreciation begin greater than addition to capital assets. In fiscal year 2014, total assets increased by \$1,058,175, or 1.8 percent, compared to fiscal year 2013, mostly due to the addition of the emergency generator at the water treatment plant.

- Deferred outflows increased by \$381,032, compared to fiscal year 2014. Deferred outflows pertain to delayed refunding costs on the 2009 Revenue Bonds and an unrealized pension expense.

- Total liabilities increased 26.0 percent during fiscal year 2015, with balances of \$6,180,159, \$4,906,816 and \$4,952,194 for fiscal years ended June 30, 2015, 2014, and 2013, respectively. Current liabilities decreased by \$75,510, or 4.8 percent, during fiscal year 2015. Reductions in accounts payable were partially offset by increases in accrued expenses, customer deposits and the current portion of bonds payable. Non-current liabilities decreased by \$381,295, or 15.1 percent, due to payments made on the 2009 Revenue Bonds. Total liabilities for fiscal year 2014 decreased due to reductions in revenue bonds payable that exceeded increases in accounts payable and customer deposits. No new debt was issued in fiscal year 2015.

- Deferred inflows of \$1,747,804 for fiscal year 2015 relates for the net pension liability as a result of a change in accounting principle for pension accounting.

- Net position may serve as a useful indicator of the District's financial position. As of June 30, 2015, 2014, and 2013, assets exceeded liabilities by \$56,404,384, \$55,022,120 and \$53,921,448, respectively, an increase of \$1,382,264, or 1.5 percent, over fiscal year 2014. This is due in part to an increase of \$345,888, or 0.7 percent, in net investment in capital assets totaling \$47,205,145. Restricted net position totaled \$5,633,316 in fiscal year 2015, an increase of \$656,128, or 13.2 percent, compared to fiscal year 2014. It accounts for 9.9 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 \$3,565,923 at June 30, 2015, an increase of \$380,248, or 11.9 percent, compared to fiscal year 2014. In fiscal year 2014 net position increased by \$1,100,672, or 2.0 percent, over fiscal year 2013. Net investment in capital assets increased by \$1,732,196, restricted net position decreased by \$1,655,655, and unrestricted net position increased by \$1,024,131 over fiscal year 2013.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2015 and 2014**

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

	2015 Restated	2014 Restated	Difference 2013-2014	Percent Change	2013 Restated
Operating Revenues:					
Water sales	\$9,955,874	\$8,815,333	\$1,140,541	12.9%	\$8,035,375
Other	201,576	203,484	(1,908)	-0.9%	294,236
Total Operating Revenues	10,157,450	9,018,817	1,138,633	12.6%	8,329,611
Nonoperating Revenues:					
Federal & other awards	-	393,909	(393,909)	-100.0%	70,000
Interest earnings	42,650	41,317	1,333	3.2%	45,131
Rental income	104,801	101,924	2,877	2.8%	99,130
Other	177,677	21,151	156,526	740.0%	32,016
Total Revenues	10,482,578	9,577,118	905,460	9.5%	8,575,888
Operating Expenses					
Water Resources	2,445,623	2,568,488	(122,865)	-4.8%	2,591,089
System Operations	1,002,488	1,461,265	(458,777)	-31.4%	1,332,091
Finance, Accounting and Customer Service	841,856	972,661	(130,805)	-13.4%	867,780
Administrative Services	1,540,718	1,711,775	(171,057)	-10.0%	1,563,516
Engineering	261,016	465,458	(204,442)	-43.9%	424,690
Board of Commissioners	89,021	129,577	(40,556)	-31.3%	182,102
CRWSC Activity	25,593	984	24,609	2500.9%	-
Less:					
Overhead, equipment and labor capitalized	(156,987)	(240,708)	83,721	-34.8%	(147,856)
Subtotal	6,049,328	7,069,500	(1,020,172)	-14.4%	6,813,412
Depreciation	1,905,567	1,846,508	59,059	3.2%	1,853,297
Loss from disposal of capital assets	438	562	(124)	-22.1%	-
Interest expense	54,033	47,172	6,861	14.5%	77,039
Total Expenses	8,009,366	8,963,742	(954,376)	-10.6%	8,743,748
Income (loss) before capital contributions	2,473,212	613,376	1,859,836	303.2%	(167,860)
Capital Contributions & SDCs	556,353	473,086	83,267	17.6%	388,187
Increase in to Net Position	3,029,565	1,086,462	1,943,103	178.8%	220,327
Total Net Position - Beginning	54,192,882	53,921,448	271,434	0.5%	54,530,359
Accum. Adj due to Change in Acct Principle	(1,647,300)				
Cummulative effect of Restatement		(815,028)			(829,238)
Total Net Position - Ending	\$55,575,147	\$54,192,882	\$2,214,537	4.1%	\$53,921,448

Total revenues increased \$905,640, or 9.5 percent, for fiscal year 2015. Total revenue was \$10,482,578, \$9,577,118, and \$8,575,888 for fiscal years ended June 30, 2015, 2014, and 2013, respectively. Increases were noted in operating revenues due to water sales. Water sales increased by \$1,140,541, \$779,958 and \$1,274,381 in fiscal years 2015, 2014 and 2013, respectively, due to rate increases effective May 1, 2014 and May 1, 2013. Non-operating revenues declined significantly by \$239,910, or 47 percent, in fiscal year 2015. This was due predominately to a large PGE contribution included in Federal & other awards during fiscal year 2014. The absence of a large award in fiscal year 2015 was offset by other non-operating revenues including payments from Sunrise Water Authority for the use of CRW equipment and services rendered under the ORS190 Agreement. For fiscal year 2014, total revenue increased \$1,001,230, or 11.7, percent over fiscal year 2013. Increases were noted in water sales due to the rate increase effective May 1, 2012. Non-

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2015 and 2014**

operating revenues rose significantly due to the PGE contribution included in Federal & other awards.

Expenses incurred by the six departments (Water Resources; System Operations; Finance, Accounting and Customer Service; Administrative Services; Engineering; and Board of Commissioners) totaled \$6,049,328, \$7,069,500, and \$6,813,412, for the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

Water Resources is responsible for the District's water sources including treating, filtering and pumping water from the treatment plant or buying water from other agencies. System Operations oversees the water distribution system, as well as maintenance and improvement of the infrastructure (waterlines, reservoirs, pumping stations). Finance, Accounting and Customer Service is responsible for the accounting, reporting, billing, and customer services activities. Administrative Services is responsible for general management, information systems, personnel, procurement and other administrative activities. Engineering is responsible for technical support as it relates to the District's water system. The Board is responsible for the expenses related to the Board of Commissioners.

- The Water Resources department experienced a decrease of \$122,865, or 4.8 percent, in expenses compared to fiscal year 2014. The chief reasons for the decrease is a change in accounting principle for pension expense; this was offset by a one-time payout of excess leave accruals, regular pay raises, a PGE rate increase, building and grounds maintenance previously coded to System Operations, dues and memberships in the Regional Water Providers Consortium and Clackamas River Water Providers, and additional water purchased from South Fork Water Board after taking the District's well offline. For fiscal year 2014, the decrease of \$22,601 in expenditures over fiscal year 2013 was primarily due to the completion of the ASR well water study and is partially offset by increases in water purchased from the South Fork Water Board after the well was converted to emergency use only.

- The System Operations department experienced a decrease of \$458,777 or 31.4 percent, in expenses compared to fiscal year 2014. This decrease is due to several factors: more staff time was allocated to capital projects, a change in accounting principle for pension expense, building and maintenance costs previously coded to System Operations were coded to Administration, and Water Resources in fiscal year 2015, and older vehicles required engine rebuilds or other costly maintenance. These reductions were partially offset by increases in equipment rental and insurance. The reductions in personnel expenses for fiscal year 2014 were \$129,174 higher than fiscal year 2013 due primarily to building and ground maintenance, contract work, material inventory and vehicle maintenance expense, which was offset slightly by a reduction in personnel services due to employee benefit selection changes.

- The Finance, Accounting and Customer Service (FACS) department has expenditures of \$841,856 during fiscal year 2015, a decrease of \$130,805, or 13.4 percent, from fiscal year 2014. The decrease is due a change in accounting principle for pension expense. This was offset by to the Records Coordinator position moving from Administrative Services and the City of Oregon City right-of-way usage fee. Fiscal year 2014 experienced an increase of \$104,881 in expenditures; two Sr. Finance and Accounting Specialist positions were un-staffed for several months during fiscal year 2013, whereas these positions were fully staffed for during fiscal year 2014.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2015 and 2014**

- The Administrative Services department had a decrease of \$171,057, or 10.0 percent, in expenditures above fiscal year 2014. This decrease is due to a change in accounting principle for pension expense was partial offset by increases due to a fulltime Emergency Preparedness Manager, building and grounds maintenance coded to System Operations in fiscal year 2014, and new cameras for security monitoring. These expenses were offset in part by reductions in contract work (communications and media consulting, rate forecast, wage study), dues and memberships (Regional Water Providers Consortium) and emergency preparedness (COOP Tabletop Exercise). Legal expenses also decreased significantly in fiscal year 2015. For fiscal year 2014, there was a \$148,259 increase in its expenses compared to fiscal year 2013. This increase was primarily due to liability insurance, legal fees, computer, peripherals and software expense, which were offset by decreases in emergency preparedness and insurance deductible payments.

- The Engineering department expenditures decreased by \$204,442, or 43.9 percent, in fiscal year 2015 compared to fiscal year 2014. The Principal Engineer was moved to the System Operations Department to take over management responsibilities and a change in accounting principle for pension expense. Fiscal year 2014 expenditures were \$40,768, or 9.6 percent, higher than fiscal year 2013 because less staff time was allocated to capital projects.

- Board department expenditures for fiscal year 2015 totaled \$89,021, a decrease of \$40,556, or 31.3 percent, from fiscal year 2014. This is due to reductions in the cost of executive assistance to the Board, a change in accounting principle for pension expense, and public notices, which was offset in part by increases in legal services and miscellaneous expenses. For fiscal year 2014, there was a decrease of \$52,525, or 28.8 percent, from 2013.

- Clackamas Regional Water Supply Commission expenditures were \$25,593 and \$984 in fiscal years 2015 and 2014, respectively. This significant increase is due to continuing efforts to identify areas to share resources and improve efficiencies under the ORS190 partnership formed in Fiscal year 2014 between Clackamas River Water and Sunrise Water Authority. Materials and services received by Clackamas River Water from Sunrise Water Authority in fiscal year 2015 pertain to CRWSC administration, engineering, governmental affairs, and information technology.

- The amount of labor, overhead and equipment capitalized decreased \$83,721, or 34.8, percent for fiscal year 2015. For fiscal year 2014, there was an increase of \$92,852, or 62.8 percent, compared to fiscal year 2013.

Depreciation expense increased \$59,059, or 3.2 percent, for fiscal year 2015. Depreciation expense was \$1,905,567, \$1,846,508 and \$1,853,297 for fiscal years ended June 30, 2015, 2014, and 2013, respectively. Interest expense was \$54,033, \$47,172, and \$77,039 for fiscal years ended June 30, 2015, 2014, and 2013, respectively. Interest expense increased due to the interest on capital projects under construction in fiscal year 2015, offset to a certain degree by the interest savings on the debt refunding performed in 2010.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2015 and 2014**

Capital Assets

At June 30, 2015, the District had \$49,706,798 invested in a broad range of capital assets net of accumulated depreciation, including land, building, machinery, pump stations, reservoirs, distribution systems and construction-in-progress. The District had \$3,878,316 in additions or transfers during fiscal year 2015. Of that amount, \$3,215,139 of additions were for improvements for the water treatment plant and \$509,659 of additions were for improvements to the water distribution system. The District had \$1,726,742 of construction-in-progress at June 30, 2015. In fiscal year 2015, the District expensed \$1,905,567 in depreciation. 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). 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

The District applied new pension reporting standard to the financial statements for fiscal year 2014-15 as required by GASB statement No. 68. The statement dramatically affected the statements resulting in a large accumulated adjustment to net position and affected the categories of pension expense, noncurrent liabilities, deferred inflows, and deferred outflows. Due to the calculation required by the statement on the part of the actuaries for the state retirement system, the District's share of the collective net pension expense was a negative number and the District's share of the collective net pension liability was actually a pension asset.

Further discussion on the implementation of GASB 68 can be found below and in the notes to the financial statements.

During fiscal year 2014-15, net position increased by \$1,382,265 over the prior year. The largest change to net position came from the application of GASB 68 to the fiscal year 2014-15 report. Pension payments to the state retirement system the District made during fiscal year 2014-15 of \$362,386 were backed out of expense on the Statement of Revenues, Expenses, and Changes in Net Position and recorded instead as a deferred outflow. Another deferred outflow resulted from changes in proportion and contribution in the amount of \$21,526. Deferred inflows on investment in pension deferral in the amount of \$1,747,804 resulted from netting the differences between projected and actual earning on investments.

Additionally, CRW has a transitional liability on pension of \$815,028 as of June 30, 2014 and of \$829,238 as of June 30, 2013 (restated). CRW joined the State and Local Government Rate Pool (SLGRP) for purposed of determining contribution rates. Members joining the SLGRP have a pension transition to match current members in the SLGRP.

A negative pension expense was then recorded in the statement of activities in the amount of \$826,810. The negative expense number is the District's share of the collective net pension expense from the pension system's actuary for fiscal year 2012-13 rolled forward to June 30, 2014 as required by GASB 68. The negative pension expense along with the reversal of contributions for fiscal year 2014-15, account for \$1,210,722 of the increase in net position.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2015 and 2014**

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 82nd Dr. (PO Box 2439), Clackamas, OR 97015.

BASIC FINANCIAL STATEMENTS



Clackamas River Water

**CLACKAMAS RIVER WATER
STATEMENT OF NET POSITION
as of June 30, 2015 and 2014**

	2015	Restated 2014
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,208,665	\$ 2,948,669
Cash held for customer deposits	141,328	128,846
Accounts receivable, net	2,163,288	1,788,023
Supplies inventory	184,548	176,892
Prepaid expenses and other receivables	212,703	139,832
Current assets - unrestricted	5,910,532	5,182,263
Cash and cash equivalents - restricted	5,662,125	4,994,083
Current assets - restricted	5,662,125	4,994,083
Total current assets	11,572,657	10,176,345
Noncurrent Assets:		
Pension asset	905,788	-
Capital assets not being depreciated	4,168,244	6,168,080
Capital assets, net of accumulated depreciation	45,538,554	43,566,243
Total noncurrent assets	50,612,586	49,734,323
DEFERRED OUTFLOWS		
Deferred Pension	383,912	-
Deferred charges on refunding	15,388	18,268
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 62,584,543	\$ 59,928,936
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 630,300	\$ 737,844
Accrued expenses	314,505	298,952
Customer deposits and prepaid revenue	158,179	144,764
Accrued interest	14,958	16,893
Current portion of bonds payable	381,295	376,295
Total current liabilities	1,499,237	1,574,747
Noncurrent liabilities:		
Transitional liability	797,372	815,028
Bonds payable	2,135,746	2,517,041
Total noncurrent liabilities	2,933,118	3,332,069
TOTAL LIABILITIES	4,432,355	4,906,816
DEFERRED INFLOWS		
Deferred pension	1,747,804	-
TOTAL LIABILITIES & DEFERRED INFLOWS	\$ 6,180,159	\$ 4,906,816
NET POSITION:		
Net investment in capital assets	47,205,145	46,859,257
Restricted for: Debt service	391,703	387,683
Capital expenditures	4,104,263	3,457,986
Rate stabilization	1,137,350	1,131,520
Unrestricted	3,565,923	3,185,675
TOTAL NET POSITION	56,404,384	55,022,120
TOTAL LIABILITIES AND NET POSITION	\$ 62,584,543	\$ 59,928,936

CLACKAMAS RIVER WATER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended June 30, 2015 and 2014

	2015	Restated 2014
OPERATING REVENUES:		
Water sales	\$ 9,955,874	\$ 8,815,333
Water service connections fees	88,892	86,754
Water service extension fees	10,556	22,950
Service charges on past due accounts	60,830	67,060
Miscellaneous	41,298	26,720
Total operating revenues	10,157,450	9,018,817
OPERATING EXPENSES:		
Water resources	2,445,624	2,568,488
System operations	1,002,488	1,461,265
Finance, accounting and customer service	841,856	972,661
Administrative services	1,540,718	1,711,775
Engineering	261,016	465,458
Board of commissioners	89,021	129,577
CRWSC activity	25,593	984
Less: Capitalized labor and overhead	(156,987)	(240,708)
Depreciation and amortization	1,905,567	1,846,508
Total operating expenses	7,954,896	8,916,008
OPERATING GAIN	2,202,554	102,809
NONOPERATING REVENUES (EXPENSES):		
Federal and other awards	-	393,909
Interest expense, net	(54,033)	(47,172)
Interest earnings on cash equivalents	42,650	41,317
Rental income	104,801	101,924
Loss on disposal of capital assets	(438)	(562)
Other	177,677	21,151
Total nonoperating revenues	270,657	510,567
GAIN BEFORE CONTRIBUTIONS	2,473,211	613,376
SYSTEM DEVELOPMENT CHARGES	243,336	167,096
CAPITAL CONTRIBUTIONS	313,017	305,990
CHANGE IN NET POSITION	3,029,564	1,086,462
NET POSITION - BEGINNING OF YEAR, BEFORE ADJUSTMENT AND RESTATEMENT	55,022,120	54,750,686
Accumulated Adjustment for Change in Accounting Principle	(1,647,300)	-
Cumulative Effect of Restatement	-	(815,028)
NET POSITION - BEGINNING OF YEAR, AFTER ADJUSTMENT AND RESTATEMENT	\$ 53,374,820	53,935,658
NET POSITION - END OF YEAR	\$ 56,404,384	\$ 55,022,120

**CLACKAMAS RIVER WATER
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2015 and 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 9,615,006	\$ 9,122,425
Cash payments to suppliers for goods and services	(3,722,495)	(3,184,353)
Cash payments to employees for services	(3,904,136)	(3,827,646)
Other receipts	237,698	329,332
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,226,072	2,439,758
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on revenue bonds	(360,000)	(340,000)
Interest paid on revenue bonds, net of amount capitalized	(95,555)	(106,460)
Proceeds from sale of capital assets	23,544	11,269
System development charges received	257,187	180,011
Grant and other revenue	-	393,909
Acquisition and construction of capital assets	(1,388,824)	(2,597,976)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,563,648)	(2,459,247)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Rents received	105,044	96,159
CRWSC - Shared Resources	115,640	-
Right of Way fee - Oregon City	14,761	-
NET CASH FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	235,445	96,159
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	42,650	41,317
NET CASH FROM INVESTING ACTIVITIES	42,650	41,317
NET CHANGE IN CASH AND CASH EQUIVALENTS	940,520	117,987
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,071,598	7,953,611
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,012,118	\$ 8,071,598
STATEMENT OF NET POSITION ACCOUNTS		
Cash and cash equivalents	\$ 3,208,665	\$ 2,948,669
Cash held for customer deposits	141,328	128,846
Restricted cash	5,662,125	4,994,083
	\$ 9,012,118	\$ 8,071,598

See notes to basic financial statements

CLACKAMAS RIVER WATER
STATEMENTS OF CASH FLOWS (Continued)
for the years ended June 30, 2015 and 2014

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

	2015	2014
Operating income (loss)	\$ 2,202,554	\$ 102,809
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,905,567	1,846,508
Capitalized labor and overhead	(156,987)	(240,708)
Pension Expense - GASB 68	(1,190,694)	
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(375,265)	336,517
Grant receivable		18,496
Supplies inventory	(7,656)	18,252
Prepaid expenses	(72,871)	30,986
Increase (decrease) in:		
Accounts payable	(107,544)	295,341
Accrued expenses	15,553	(15,646)
Prepaid revenue	13,415	47,203
Total adjustments	23,518	2,336,949
NET CASH FROM OPERATING ACTIVITIES	\$ 2,226,072	\$ 2,439,758

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

Donated capital assets	\$ 313,017	\$ 305,990
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CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 thirty MGPD and currently sells approximately nine MGPD to its customers. The District's four 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 will be 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, 2015 AND 2014

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.

Change in accounting principle:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for financial statement periods beginning after June 15, 2014. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The District adopted this guidance as of and for the year ended June 30, 2015. The District has not restated the financial statements as of and for the year ended June 30, 2014 given that the necessary information was not made available by the Oregon Public Employees' Retirement System pension plans.

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 31. 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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Accounts Receivable: (continued)

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.

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 estimated fair 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 30.7 percent of internal costs and 4.6 percent of outside costs. Capitalized labor and overhead costs totaled \$156,987 and \$240,708 for the years ended June 30, 2015 and 2014, respectively. Capitalized interest is allocated based on the weighted average net borrowing costs incurred and totaled \$26,173 and \$73,768 for the years ended June 30, 2015 and 2014, respectively.

Long-lived assets are evaluated for impairment annually and whenever events or changes in circumstances indicate the carrying amount of an asset may not be fully recoverable. Management evaluates 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, 2015 AND 2014

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.

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 as 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 payment 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, 2015 AND 2014

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 has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing water and is 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 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. 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 made an appropriation transfer in the General Fund from the materials and services category to the personnel services category to provide for the salary adjustments following the compensation study and payout on grandfathered sick leave balance to comply with current policy.

A summary of the District's Fiscal Year 2014-2015 Adopted Annual Budget is included in the Supplementary Information section attached to these general purpose financial statements.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. CASH AND CASH EQUIVALENTS

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

	2015	2014
Cash and cash equivalents:		
Cash on hand	\$ 900	\$ 900
Checking account	221,279	573,289
Participation in Oregon State Treasurer's Short-Term Investment Fund	<u>8,789,939</u>	<u>7,497,409</u>
Total cash and cash equivalents	<u>\$9,012,118</u>	<u>\$8,071,598</u>

Reported on the Statement of Net Position as follows:

	2015	2014
Current Assets		
Cash and cash equivalents	\$3,208,665	\$2,948,669
Cash held for customer deposits	141,328	128,846
Noncurrent Assets:		
Restricted cash and cash equivalents	<u>5,662,125</u>	<u>4,994,083</u>
Total cash and cash equivalents	<u>\$9,012,118</u>	<u>\$8,071,598</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.

At June 30, 2015, the book balance of the District's bank deposits (checking account) is \$221,279 and the bank balance is \$572,544. The difference is due to transaction in process. Of these deposits, \$250,000 was covered by 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.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. CASH AND CASH EQUIVALENTS, (continued)

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:

	2015	2014
Water sales receivables	\$ 1,005,222	\$ 873,717
Unbilled water sales	1,091,000	860,000
Less allowance for uncollectible accounts	<u>(10,000)</u>	<u>(10,000)</u>
Total water sales receivable	2,086,222	1,723,717
Other	<u>77,065</u>	<u>64,306</u>
Total accounts receivable, net	<u>\$ 2,163,288</u>	<u>\$ 1,788,023</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 \$25,644 and \$21,188 at June 30, 2015 and 2014, respectively.

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.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. CAPITAL ASSETS

The District's capital assets activity for the year ended June 30, 2015 is as follows:

	Balances June 30, 2014	Additions and Transfers	Retirements and Transfers	Balances June 30, 2015
Depreciable Assets:				
Buildings	\$ 6,869,146	\$ -	\$ -	\$ 6,869,146
Improvements	8,094,594	3,215,139	(4,737)	11,304,997
Machinery, furniture and equipment	3,366,392	112,322	(104,861)	3,373,853
Pump stations	4,147,794	41,196	-	4,188,990
Reservoirs	6,589,983	-	-	6,589,983
Water distribution system	52,529,125	509,659	-	53,038,783
	<u>81,597,034</u>	<u>3,878,316</u>	<u>(109,597)</u>	<u>85,365,752</u>
Accumulated depreciation:				
Buildings	(5,030,821)	(247,274)	-	(5,278,094)
Improvements	(3,077,136)	(266,134)	4,298	(3,338,972)
Machinery, furniture and equipment	(2,269,545)	(114,789)	104,861	(2,279,473)
Pump stations	(2,800,542)	(122,515)	-	(2,923,057)
Reservoirs	(2,660,981)	(141,766)	-	(2,802,747)
Water distribution system	(22,191,766)	(1,013,089)	-	(23,204,855)
	<u>(38,030,791)</u>	<u>(1,905,567)</u>	<u>109,159</u>	<u>(39,827,199)</u>
Total depreciable assets, net	<u>43,566,243</u>	<u>1,972,749</u>	<u>(438)</u>	<u>45,538,554</u>
Nondepreciable assets:				
Land and easements	2,441,502	-	-	2,441,502
Construction in Progress	3,726,578	1,280,569	(3,280,405)	1,726,742
Total nondepreciable assets	<u>6,168,080</u>	<u>1,280,569</u>	<u>(3,280,405)</u>	<u>4,168,244</u>
Total capital asset activity	<u>\$ 49,734,323</u>	<u>\$ 3,253,318</u>	<u>\$ (3,280,843)</u>	<u>\$ 49,706,798</u>

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. CAPITAL ASSETS, (continued)

The District's capital assets activity for the year ended June 30, 2014 is as follows:

	Balances June 30, 2013	Additions and Transfers	Retirements and Transfers	Balances June 30, 2014
Depreciable Assets:				
Buildings	\$6,869,146	\$ -	\$ -	\$6,869,146
Improvements	7,888,924	205,670	-	8,094,594
Machinery, furniture and equipment	3,157,989	264,119	(55,716)	3,366,392
Pump stations	3,957,196	190,598	-	4,147,794
Reservoirs	6,589,983	-	-	6,589,983
Water distribution system	52,145,278	383,847	-	52,529,125
	<u>80,608,516</u>	<u>1,044,234</u>	<u>(55,716)</u>	<u>81,597,034</u>
Accumulated depreciation:				
Buildings	(4,783,547)	(247,274)	-	(5,030,821)
Improvements	(2,831,258)	(245,878)	-	(3,077,136)
Machinery, furniture and equipment	(2,233,512)	(91,187)	55,154	(2,269,545)
Pump stations	(2,688,027)	(112,515)	-	(2,800,542)
Reservoirs	(2,518,923)	(142,058)	-	(2,660,981)
Water distribution system	(21,184,170)	(1,007,596)	-	(22,191,766)
	<u>(36,239,437)</u>	<u>(1,846,508)</u>	<u>55,154</u>	<u>(38,030,791)</u>
Total depreciable assets, net	<u>44,369,080</u>	<u>(802,274)</u>	<u>(562)</u>	<u>43,566,243</u>
Nondepreciable assets:				
Land and easements	2,441,502	-	-	2,441,502
Construction in Progress	1,544,959	2,697,548	(515,929)	3,726,578
Total nondepreciable assets	<u>3,986,461</u>	<u>2,697,548</u>	<u>(515,929)</u>	<u>6,168,080</u>
Total capital asset activity	<u>\$ 48,355,541</u>	<u>\$ 1,895,274</u>	<u>\$ (516,491)</u>	<u>\$ 49,734,323</u>

Depreciation expense charged to operations totaled \$1,905,567 and \$1,846,508 for the years ended June 30, 2015 and 2014, 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.

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 time principal and interest after subtracting system development charges. Management believes the District has exceeded these requirements for the years ending June 30, 2015 and June 30, 2014.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

6. BONDS PAYABLE, (continued)

The District's revenue bond activity for the year ended June 30, 2015 is as follows:

	Balances June 30, 2014	Additions	Payments & Decreases	Balances June 30, 2015	Amount due within one year	Long-term portion
Revenue Bonds - 2009	\$ 2,790,000	\$ -	\$ (360,000)	\$ 2,430,000	\$ 365,000	\$ 2,065,000
Unamortized premium	103,336	-	(16,295)	87,041	16,295	70,746
	<u>\$ 2,893,336</u>	<u>\$ -</u>	<u>\$ (376,295)</u>	<u>\$ 2,517,041</u>	<u>\$ 381,295</u>	<u>\$ 2,135,746</u>

The District's revenue bond activity for the year ended June 30, 2014 is as follows:

	Balances June 30, 2013	Additions	Payments & Decreases	Balances June 30, 2014	Amount due within one year	Long-term portion
Revenue Bonds - 2009	\$ 3,130,000	\$ -	\$ (340,000)	\$ 2,790,000	\$ 360,000	\$ 2,430,000
Unamortized premium	119,631	-	(16,295)	103,336	16,295	87,041
	<u>\$ 3,249,631</u>	<u>\$ -</u>	<u>\$ (356,295)</u>	<u>\$ 2,893,336</u>	<u>\$ 376,295</u>	<u>\$ 2,517,041</u>

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

Fiscal Year	Principal	Interest
2016	\$ 365,000	\$ 84,275
2017	380,000	73,100
2018	390,000	59,600
2019	415,000	43,500
2020	430,000	26,600
2021	450,000	9,000
	<u>\$ 2,430,000</u>	<u>\$ 296,075</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 2015. For FY 2014-15 pledged revenue was approximately 4 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.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

7. 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:

	2015	2014
Restricted Net Position		
Debt Service Reserves	\$ 391,703	\$ 387,683
System Development Reserves	415,330	394,978
Capital Improvements Reserves	3,688,933	3,063,007
Rate Stabilization Reserves	1,137,350	1,131,520
Total Restricted Net Position	<u>\$ 5,633,316</u>	<u>\$ 4,977,188</u>

8. ACCRUED EXPENSES

Accrued expenses consist of the following at June 30:

	2015	2014
Compensated Absences	\$ 230,442	\$ 226,215
Payroll	72,492	63,815
PERS (note 11)	(26)	-
Payroll Taxes and other	11,596	8,922
	<u>\$ 314,505</u>	<u>\$ 298,952</u>

9. 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 expires in September 2015.

Rental income is recognized as non-operating revenue and totaled \$104,801 and \$101,924 for the years ended June 30, 2015 and 2014, respectively.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

9. RENTAL INCOME, (continued)

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

Fiscal Year	Amount
2016	\$ 103,265
2017	104,818
2018	107,963
2019	111,202
2020	114,538
2021-2024	427,902
	<u>\$ 969,688</u>

10. 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 \$2,741 and \$2,761, for the years ended June 30, 2015 and 2014, respectively.

The District also leases two copiers under a lease agreement that expires in February 2015 and three copiers under a lease agreement which expires in December 2017. Rent expense charged to operations under these agreements totaled \$16,783 and \$15,284 for each of the years ended June 30, 2015 and 2014, respectively. One copier, under a lease agreement that expires February 2015, has been exchanged with a new agreement that expires June 2019.

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:

Fiscal Year	Amount
FY16	\$ 10,962
FY17	8,370
FY18	3,536
FY19	3,087
	<u>\$ 25,955</u>

The District leases other rental equipment under month-to-month agreements. Rent expense charged to operations under all operating leases totaled \$63,998 and \$43,839 for the years ended June 30, 2015 and 2014, respectively.

11. PENSION PLANS

Plan description:

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. The District has elected to participate in a State and Local Government Rate Pool (SLGRP) available for certain public employees, where the District is pooled into a larger group for purposes of determining

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. PENSION PLANS, (continued)

Plan description: (continued)

contribution rates. Pool participants share pension assets, future pension liabilities and surpluses because they jointly fund the future pension costs of all the pooled participants.

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. 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.

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.

Benefit Changes:

After Retirement 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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. PENSION PLANS, (continued)

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

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 After 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.

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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. PENSION PLANS, (continued)

3. OPSRP Individual Account Program (OPSRP IAP): (continued)
Death Benefits: (continued)

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, 2015 and 2014 was \$435,277 and \$420,872, respectively, which included the transitional liability.

The rates in effect for the fiscal year ended June 30, 2015 and 2014 was 16.37 percent for Tier One/Tier Two General Service Member, 13.76 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 Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2015, the District reported an asset of \$905,788 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was 0.03996 percent, which was unchanged from its proportion measured as of June 30, 2013.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. PENSION PLANS (continued)

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

For the year ended June 30, 2015, the District's recognized negative pension expense of (\$826,810). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contribution subsequent to measurement date	\$ 362,386	\$ -
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	21,526	-
Net differences between projected and actual earnings on plan investments	-	(1,747,804)
Total	<u>\$ 383,912</u>	<u>\$ (1,747,804)</u>

\$362,386 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (345,256)
2017	(345,256)
2018	(345,256)
2019	(345,256)
2020	(345,254)
Thereafter	-
	<u>\$ (1,726,278)</u>

Actuarial assumptions:

The employer contribution rates effective July 1, 2013, through June 30, 2015, 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 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, 2012 actuarial valuation was determined using the following actuarial assumptions:

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. PENSION PLANS (continued)

Actuarial assumptions: (continued)

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, 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 of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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 methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

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.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. PENSION PLANS (continued)

Long-term expected rate of return: (continued)

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
 Total	 <u>100.00%</u>	
 Assumed Inflation - Mean		 2.75%

Discount rate:

The discount rate used to measure the total pension liability was 7.75 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.

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

The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% increase 8.75%</u>
District's Proportionate share of the net pension liability (asset)	\$ 1,522,281	\$ (1,747,804)	\$ (1,973,327)

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. PENSION PLANS (continued)

Pension plan fiduciary net position

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

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

12. 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.

13. 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, 2015 and 2014.

Construction Commitments:

Construction in progress totaled \$1,726,742 at June 30, 2015. Of these projects, the District has made construction commitments of approximately \$256,180 as of June 30, 2015.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

14. Prior Period Restatement

Subsequent to the year ended June 30, 2014, the District corrected an error related to its accounting for a transitional liability. This transitional liability is associated with the OPERS plan and principal repayment is funded through an adder to the pension rates paid by the District to OPERS. This information came to management's attention during the implementation of GASB Statement No. 68. A transitional liability of \$815,028 is included as the cumulative effect of restatement and decrease in beginning net position as of July 1, 2013. The total impact on the statement of net position as of June 30, 2014 results in an increase to liabilities of \$815,028 and a decrease to unrestricted net position of \$815,028. The effect on the statement of Revenue, Expenses, and Changes in Net Position for the year ended June 30, 2014 is immaterial.

15. New Accounting Pronouncement – GASB Statement No. 68 and 71

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The District implemented GASB Statement No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note 11 - Pension Plan and Note 2 - Change in Accounting Principle.

**CLACKAMAS RIVER WATER
SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years***

	<u>2015</u>
Contractually required contribution (Actuarially Determined)	\$ 368,921
Contributions in relation to the actuarially determined contributions	\$ (395,126)
Contribution deficiency (excess)	<u>\$ (26,205)</u>
 Covered-employee payroll	 \$ 2,762,206
Contributions as a percentage of covered-employee payroll	14.30%

Notes to Schedule

Valuation Date: 6/30/2012, rolled forward
to June 30, 2014

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal
Experience study report	2012, published September 18, 2013
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
Inflation	2.75%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	55 for Tier 1/Tier 2; 65 for OPSRP
Mortality	RP-2000 Sex-distinct tables

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: Milliman Actuarial Valuation Report 12/31/2013

CLACKAMAS RIVER WATER
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET
Last Ten Fiscal Years*

	<u>2015</u>
Proportionate share of the net pension assets	0.0483%
Proportionate share of net pension assets (amount)	\$ 905,788
Covered - employee payroll	\$ 2,762,206
Proportionate share of the net pension assts as percentage of covered-employee payroll	32.79%
Plan's fiduciary net position	\$ 65,401,492,664
Plan fiducary net position as a percentage of the total pension asset	103.59%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: Milliman Actuarial Valuation Report 12/31/2013

SUPPLEMENTARY INFORMATION



Clackamas River Water

CLACKAMAS RIVER WATER DESCRIPTION OF BUDGETARY FUNDS

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.

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.

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

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget Over (Under)	2014 Actual
Revenues:					
Water sales	\$ 8,200,000	\$ 8,200,000	\$ 9,160,368	\$ 960,368	\$ 8,815,333
Service connections	33,600	33,600	88,892	55,292	86,754
Service charges	60,000	60,000	60,830	830	67,060
Miscellaneous - operating	40,000	40,000	18,628	(21,372)	43,121
Rental income	105,900	105,900	104,801	(1,099)	101,924
Miscellaneous - nonoperating	44,200	44,200	31,449	(12,751)	9,485
Grant funds	-	-	-	-	18,809
Surplus property sale	5,000	5,000	23,479	18,479	11,269
Interest income	7,300	7,300	12,624	5,324	8,145
Total revenues	8,496,000	8,496,000	9,501,071	1,005,071	9,161,900
Other financing source:					
Transfer from					
CRWSC Activity Fund	875,000	875,000	785,000	(90,000)	-
Total revenues and other financing source	9,371,000	9,371,000	10,286,071	915,071	9,161,900
Beginning fund balance available for appropriation	2,100,000	3,400,000	3,861,753	1,761,753	2,874,926
	<u>\$ 11,471,000</u>	<u>\$ 12,771,000</u>	<u>\$ 14,147,824</u>	<u>\$ 2,676,824</u>	<u>\$ 12,036,826</u>

CLACKAMAS RIVER WATER
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget (Over) Under	2014 Actual
Expenditures:					
Water Resources:					
Personal services	\$ 1,051,722	\$ 1,063,722	\$ 1,052,020	\$ 11,702	\$ 978,315
Materials and services	1,851,000	1,841,000	1,716,697	124,303	1,590,173
Capital outlay	121,000	121,000	118,532	2,468	93,205
	<u>3,023,722</u>	<u>3,025,722</u>	<u>2,887,249</u>	<u>138,473</u>	<u>2,661,693</u>
System Operations:					
Personal services	1,028,284	1,028,284	948,996	79,288	1,041,827
Materials and services	472,900	472,900	345,979	126,921	426,521
Capital outlay	255,000	255,000	205,413	49,587	83,689
	<u>1,756,184</u>	<u>1,756,184</u>	<u>1,500,388</u>	<u>255,796</u>	<u>1,552,037</u>
Finance, Accounting, & Customer Service					
Personal services	791,252	791,252	767,100	24,152	678,500
Materials and services	314,700	314,700	309,927	4,773	294,160
	<u>1,105,952</u>	<u>1,105,952</u>	<u>1,077,027</u>	<u>28,925</u>	<u>972,660</u>
Administrative Services:					
Personal services	687,326	695,326	734,533	(39,207)	621,628
Materials and services	926,200	916,200	853,120	63,080	830,381
Capital outlay	30,000	30,000	60,473	(30,473)	-
	<u>1,643,526</u>	<u>1,641,526</u>	<u>1,648,126</u>	<u>(6,600)</u>	<u>1,452,009</u>
Board of Commissioners					
Personal services	106,303	106,303	91,236	15,067	111,068
Materials and services	26,100	26,100	25,755	345	18,509
	<u>132,403</u>	<u>132,403</u>	<u>116,991</u>	<u>15,412</u>	<u>129,577</u>
Engineering					
Personal services	356,452	356,452	342,729	13,723	436,169
Materials and services	63,100	63,100	23,358	39,742	29,289
	<u>419,552</u>	<u>419,552</u>	<u>366,087</u>	<u>53,465</u>	<u>465,458</u>
Contingency	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Total expenditures	<u>8,581,339</u>	<u>8,581,339</u>	<u>7,595,869</u>	<u>985,471</u>	<u>7,233,435</u>
Other financing uses:					
Transfers to other funds:					
Capital Reserve Fund	1,250,000	1,250,000	1,250,000	-	750,000
CRWSC Activity Fund	79,600	79,600	-	79,600	1,000
Revenue Bond Fund	455,555	455,555	455,555	-	190,638
Total other financing uses	<u>1,785,155</u>	<u>1,785,155</u>	<u>1,705,555</u>	<u>79,600</u>	<u>941,638</u>
Total expenditures and other financing uses	<u>10,366,494</u>	<u>10,366,494</u>	<u>9,301,424</u>	<u>1,065,071</u>	<u>8,175,073</u>
Unappropriated ending fund balance	<u>2,404,506</u>	<u>2,404,506</u>	<u>4,846,400</u>	<u>(2,441,894)</u>	<u>3,861,753</u>
	<u>\$ 12,771,000</u>	<u>\$ 12,771,000</u>	<u>\$ 14,147,824</u>	<u>\$ (1,376,823)</u>	<u>\$ 12,036,826</u>

**CLACKAMAS RIVER WATER
CRWSC ACTIVITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)**

	2015				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget Over (Under)</u>	<u>2014 Actual</u>
Revenues:					
Water Sales	\$ 775,000	\$ 775,000	\$ 795,506	\$ 20,506	
Miscellaneous - operating	-	-	25,101	25,101	
Miscellaneous - nonoperating	100,000	100,000	122,749	22,749	\$ 399
Total revenues	<u>875,000</u>	<u>875,000</u>	<u>943,356</u>	<u>68,356</u>	<u>399</u>
Other financing sources					
Transfers from other funds:					
General Fund	79,600	79,600	-	(79,600)	1,000
Total other financing sources	<u>79,600</u>	<u>79,600</u>	<u>-</u>	<u>(79,600)</u>	<u>1,000</u>
Total revenues and other financing sources	<u>954,600</u>	<u>954,600</u>	<u>943,356</u>	<u>(11,244)</u>	<u>1,399</u>
Beginning fund balance available for appropriations	<u>-</u>	<u>-</u>	<u>415</u>	<u>415</u>	<u>-</u>
	<u>\$ 954,600</u>	<u>\$ 954,600</u>	<u>\$ 943,771</u>	<u>\$ (10,829)</u>	<u>\$ 1,399</u>

	2015				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget (Over) Under</u>	<u>2014 Actual</u>
Expenditures:					
Materials and services	\$ 72,100	\$ 72,100	\$ 25,593	\$ 46,507	\$ 984
Capital Outlay	7,500	7,500	-	7,500	-
Total expenditures	<u>79,600</u>	<u>79,600</u>	<u>25,593</u>	<u>54,007</u>	<u>984</u>
Other financing uses:					
Transfer to General Fund	875,000	875,000	\$ 785,000	90,000	-
Total expenditures and other financing uses	<u>954,600</u>	<u>954,600</u>	<u>810,593</u>	<u>144,007</u>	<u>984</u>
Unappropriated ending fund balance	<u>-</u>	<u>-</u>	<u>133,178</u>	<u>(133,178)</u>	<u>415</u>
	<u>\$ 954,600</u>	<u>\$ 954,600</u>	<u>\$ 943,771</u>	<u>\$ 10,829</u>	<u>\$ 1,399</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, 2015
(with comparative totals for the year ended June 30, 2014)**

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget Over (Under)	2014 Actual
Revenues:					
Interest income	\$ -	\$ -	\$ 860	\$ 860	\$ 901
Other Operating Inc	-	-	8,125	8,125	-
PGE - Grant	-	-	-	-	375,100
ODOT - reimbursement	-	-	-	-	6,548
Total revenues	-	-	8,985	8,985	382,549
Other financing sources					
Transfers from other funds:					
SDC Reserve Fund	430,000	430,000	225,000	(205,000)	1,545,000
Capital Reserve Fund	1,869,000	1,869,000	775,000	(1,094,000)	855,000
Total other financing sources	2,299,000	2,299,000	1,000,000	(1,299,000)	2,400,000
Total revenues and other financing sources	2,299,000	2,299,000	1,008,985	(1,290,015)	2,782,549
Beginning fund balance available for appropriations	1,000	1,000	191,454	190,454	85,403
	<u><u>\$ 2,300,000</u></u>	<u><u>\$ 2,300,000</u></u>	<u><u>\$ 1,200,439</u></u>	<u><u>\$ (1,099,561)</u></u>	<u><u>\$ 2,867,952</u></u>

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget (Over) Under	2014 Actual
Expenditures:					
Capital Outlay	\$ 2,300,000	\$ 2,300,000	\$ 1,174,014	\$ 1,125,986	\$ 2,676,498
Total expenditures	2,300,000	2,300,000	1,174,014	1,125,986	2,676,498
Unappropriated ending fund balance	-	-	26,425	(26,425)	191,454
	<u><u>\$ 2,300,000</u></u>	<u><u>\$ 2,300,000</u></u>	<u><u>\$ 1,200,439</u></u>	<u><u>\$ 1,099,561</u></u>	<u><u>\$ 2,867,952</u></u>

**CLACKAMAS RIVER WATER
REVENUE BOND FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)**

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget Over (Under)	2014 Actual
Revenue:					
Interest income	\$ 2,000	\$ 2,000	\$ 2,085	\$ 85	\$ 2,181
Other financing sources:					
Transfers from other funds:					
General Fund	455,555	455,555	455,555	-	190,638
SDC Reserve Fund	-	-	-	-	255,822
Total other financing sources	455,555	455,555	455,555	-	446,460
Total revenue and other financing sources	457,555	457,555	457,640	85	448,641
Beginning fund balance available for appropriations	476,000	476,000	477,661	1,661	475,480
	\$ 933,555	\$ 933,555	\$ 935,301	\$ 1,746	\$ 924,121

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget (Over) Under	2014 Actual
Expenditures:					
Principal on bonds	\$ 360,000	\$ 360,000	\$ 360,000	\$ -	\$ 340,000
Interest on bonds	95,555	95,555	95,555	-	106,460
Total expenditures	455,555	455,555	455,555	-	446,460
Unappropriated ending fund balance	478,000	478,000	479,746	(1,746)	477,661
	\$ 933,555	\$ 933,555	\$ 935,301	\$ (1,746)	\$ 924,121

**CLACKAMAS RIVER WATER
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2015
(with comparative totals for the year ended June 30, 2015)**

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget Over (Under)	2014 Actual
Revenue:					
Interest income	\$ 12,000	\$ 12,000	\$ 19,235	\$ 7,235	\$ 18,310
Other financing source:					
Transfer from General Fund	1,250,000	1,250,000	1,250,000	-	750,000
Total revenue and other financing source	<u>1,262,000</u>	<u>1,262,000</u>	<u>1,269,235</u>	<u>7,235</u>	<u>768,310</u>
Beginning fund balance available for appropriations	3,000,000	3,000,000	3,013,365	13,365	3,100,055
	<u>\$ 4,262,000</u>	<u>\$ 4,262,000</u>	<u>\$ 4,282,600</u>	<u>\$ 20,600</u>	<u>\$ 3,868,365</u>

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget (Over) Under	2014 Actual
Other financing uses:					
Transfer to CIP Fund	\$ 1,869,000	\$ 1,869,000	\$ 775,000	\$ 1,094,000	\$ 855,000
Total other financing uses	<u>1,869,000</u>	<u>1,869,000</u>	<u>775,000</u>	<u>1,094,000</u>	<u>855,000</u>
Unappropriated ending fund balance	2,393,000	2,393,000	3,507,600	(1,114,600)	3,013,365
	<u>\$ 4,262,000</u>	<u>\$ 4,262,000</u>	<u>\$ 4,282,600</u>	<u>\$ (20,600)</u>	<u>\$ 3,868,365</u>

**CLACKAMAS RIVER WATER
RATE STABILIZATION RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)**

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget Over (Under)	2014 Actual
Revenue:					
Interest income	\$ 5,700	\$ 5,700	\$ 5,830	\$ 130	\$ 6,100
Beginning fund balance					
available for appropriations	1,130,000	1,130,000	1,131,520	1,520	1,125,420
	<u>\$ 1,135,700</u>	<u>\$ 1,135,700</u>	<u>\$ 1,137,350</u>	<u>\$ 1,650</u>	<u>\$ 1,131,520</u>

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget (Over) Under	2014 Actual
Other financing use:					
Transfer to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing use	-	-	-	-	-
Unappropriated ending fund balance	1,135,700	1,135,700	1,137,350	(1,650)	1,131,520
	<u>\$ 1,135,700</u>	<u>\$ 1,135,700</u>	<u>\$ 1,137,350</u>	<u>\$ (1,650)</u>	<u>\$ 1,131,520</u>

**CLACKAMAS RIVER WATER
SDC RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)**

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget Over (Under)	2014 Actual
Revenues:					
Interest income	\$ 1,100	\$ 1,100	\$ 2,015	\$ 915	\$ 5,680
System development charges	110,100	110,100	243,336	133,236	167,096
Total revenues	111,200	111,200	245,351	134,151	172,776
Beginning fund balance available for appropriations	430,000	430,000	394,978	(35,022)	2,023,024
	\$ 541,200	\$ 541,200	\$ 640,329	\$ 99,129	\$ 2,195,800

	2015				
	Original Budget	Final Budget	Actual	Variance to Final Budget (Over) Under	2014 Actual
Other financing uses:					
Transfers to other funds:					
Capital Improvement Projects Fund	\$ 430,000	\$ 430,000	\$ 225,000	\$ 205,000	\$ 1,545,000
Revenue Bond Fund	-	-	-	-	255,822
Total other financing uses	430,000	430,000	225,000	205,000	1,800,822
Unappropriated ending fund balance	111,200	111,200	415,329	(304,129)	394,978
	\$ 541,200	\$ 541,200	\$ 640,329	\$ (99,129)	\$ 2,195,800

CLACKAMAS RIVER WATER
RECONCILIATION OF REVENUES AND EXPENDITURES
TO CHANGES IN NET POSITION
for the years ended June 30, 2015 and 2014

	2015	2014
	Combined	Combined
Revenues	\$ 10,725,913	\$ 9,744,215
Expenditures	9,251,031	10,357,377
	<u>1,474,882</u>	<u>(613,162)</u>
Add (deduct) items to reconcile to change in net position on a GAAP basis:		
Expenditures capitalized	1,895,764	3,224,241
Loss on disposal of capital assets	(438)	(562)
Payment of bond principal	360,000	340,000
Amortization of discounts and related deferrals	-	(15,776)
Decrease in accrued interest payable on long-term debt	(1,935)	(1,772)
Change in Account Principle -Pension Expense	1,206,857	-
Depreciation	<u>(1,905,567)</u>	<u>(1,846,508)</u>
Change in net position	<u><u>\$ 3,029,564</u></u>	<u><u>\$ 1,086,462</u></u>

STATISTICAL SECTION



Clackamas River Water

**CLACKAMAS RIVER WATER
STATISTICAL SECTION
(Unaudited)**

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

Contents	Page
Financial Trends These schedules contain trend information that may assist the reader in assessing the District's financial performance by placing it in historical perspective	48
Revenue Capacity These schedules contain information that may assist the reader in assessing the District's most significant local revenue source, the District water rate.	52
Debt Capacity This schedule 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.	59
Economic and Demographic Information 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.	61
Operating Information 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.	65

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
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
2007	42,643,916	9,599,287	3,868,193	56,111,396
2006	41,483,928	9,007,785	3,009,497	53,501,210

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

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

CLACKAMAS RIVER WATER
CHANGE IN NET POSITION
Last Ten Fiscal Years

	2015	2014	2013	2012 (1)	2011 (1)
Operating Revenues:		Restated	Restated		
Water Sales	\$ 9,955,874	\$ 8,815,333	\$ 8,035,375	\$ 6,760,994	\$ 6,522,923
Other	201,576	203,484	294,236	161,270	272,539
Total operating revenues	10,157,450	9,018,817	8,329,611	6,922,264	6,795,462
Operating Expenses:					
Water Resources	2,445,623	2,568,488	2,591,089	2,441,134	2,486,907
System Operations	1,002,488	1,461,265	1,332,091	1,378,394	1,156,549
Finance, Accounting and Customer Service	841,856	972,660	867,780	945,548	939,928
Administrative Services	1,540,718	1,711,775	1,563,516	1,647,006	1,641,516
Engineering	261,016	465,458	424,690	425,856	793,297
Board of Commissioners	89,021	129,577	182,102	181,797	313,248
CRWSC Activity	25,593	984			
Overhead and equipment charges allocated and capitalized	(156,987)	(240,708)	(147,856)	(148,095)	(207,086)
Depreciation	1,905,567	1,846,508	1,853,297	1,824,342	1,845,315
Total operating expenses	7,954,895	8,916,008	8,666,709	8,695,982	8,969,674
Operating income:	2,202,555	102,809	(337,098)	(1,773,718)	(2,174,212)
Nonoperating revenues (expense)					
Federal award and other		393,909	70,000	35,383	141,927
Investment earning on cash equivalents	42,650	41,317	45,131	46,405	56,489
Interest income from note receivable			5,169	7,241	8,311
Rental income	104,801	101,924	99,130	96,417	92,284
Other	177,677	21,151	26,847	53,133	18,137
Gain (loss) from disposal of capital assets	(438)	(562)		(18,226)	(52,849)
Interest expense (net)	(54,033)	(47,172)	(77,039)	(75,492)	(112,700)
Nonoperating income (expense) - net	270,657	510,567	169,238	144,861	151,599
Net Income before Capital					
Contributions	2,473,212	613,376	(167,860)	(1,628,857)	(2,022,613)
CAPITAL CONTRIBUTIONS	556,353	473,086	388,187	426,606	379,320
Change in Net Position, prior period adjustment	(1,647,300)	(815,028)	(829,238)		
CHANGE IN NET POSITION	\$ 1,382,265	\$ 271,434	\$ (608,911)	\$ (1,202,251)	\$ (1,643,293)

(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
CHANGE IN NET POSITION
Last Ten Fiscal Years

	2010	2009	2008	2007	2006
Operating Revenues:			Restated	Restated	
Water Sales	\$ 6,885,983	\$ 7,119,235	\$ 6,718,938	\$ 7,021,874	\$ 6,686,744
Other	278,816	344,102	172,709	48,668	156,899
Total operating revenues	7,164,799	7,463,337	6,891,647	7,070,542	6,843,643
Operating Expenses:					
Water Resources	2,186,667	2,188,474	2,126,837	2,255,314	2,302,767
System Operations	1,295,568	1,460,683	1,344,771	2,044,612	1,505,837
Finance, Accounting and Customer Service	923,743	-			-
Administrative Services	1,808,687	2,407,023	2,455,521	2,194,696	1,659,435
Engineering	404,518	367,106	336,193	-	-
Board of Commissioners	138,314	-	-	-	-
CRWSC Activity	-	-	-	-	-
Overhead and equipment charges allocated and capitalized	(147,025)	(201,908)	(243,474)	(327,584)	(189,456)
Depreciation	1,707,244	1,727,249	1,634,644	1,681,648	1,842,586
Total operating expenses	8,317,716	7,948,627	7,654,492	7,848,686	7,121,169
Operating income:	(1,152,917)	(485,290)	(762,845)	(778,144)	(277,526)
Nonoperating revenues (expense)					
Federal award and other	624,809	925,798	-	197,209	-
Investment earning on cash equivalents	78,123	257,588	565,552	602,640	430,938
Interest income from note receivable	9,319	10,279	15,393		-
Rental income	84,775	68,647	69,783	81,461	71,731
Other	174,318	75,582	(7,239)	-	-
Gain (loss) from disposal of capital assets	-	(523)	-	538,119	(11,788)
Interest expense (net)	(129,335)	(271,626)	(292,281)	(251,785)	(256,322)
Nonoperating income (expense) - net	842,009	1,065,745	351,208	1,167,644	234,559
Net Income before Capital Contributions					
Contributions	(310,908)	580,455	(411,637)	389,500	(42,967)
CAPITAL CONTRIBUTIONS	989,974	263,938	776,170	1,290,622	767,010
Change in Net Position, prior period adjustments			(623,485)	930,064	
CHANGE IN NET POSITION	\$ 679,066	\$ 844,393	\$ (258,952)	\$ 2,610,186	\$ 724,043

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

CLACKAMAS RIVER WATER
CAPITAL CONTRIBUTIONS BY SOURCE
Last Ten Fiscal Years

Fiscal Year Ended June 30,	System Development Charges	Connection Fees	Contributions In Aid	Contributed Infrastructure	Total Capital Contributions
2015	\$ 243,336	\$ 79,091		\$ 233,926	\$ 556,353
2014	167,096	85,370	-	220,620	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
2007	672,825	135,525	23,221	459,051	1,290,622
2006	403,227	59,257	6,137	298,389	767,010

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
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
2007	3,843,436	3,906,911	98.4	787,490	818,973	-	96.2	4,630,926	4,725,884	98.0
2006	3,964,378	4,095,829	96.8	675,494	720,154	-	93.8	4,639,872	4,815,983	96.3

Source: Clackamas River Water Records

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

Water Sold In Dollars

Fiscal Year			Direct					
Ended		Percent	Industrial /	Percent	Direct	Percent		
June 30,	Wholesale(2)	of Total	Commercial (2)	of Total	Residential (2)	of Total	Total (1)	
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	
2007	499,707	7.1	2,964,622	42.2	3,564,456	50.7	7,028,785	
2006	641,186	9.8	2,791,510	42.5	3,130,500	47.7	6,563,196	

(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

Fiscal Year			Direct				
Ended	Wholesale (1)	Percent	Industrial /	Percent	Direct	Percent	Total
June 30,		of Total	Commercial (1)	of Total	Residential (1)	of Total	
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
2007	1,516,268	32.6	1,728,880	37.2	1,402,506	30.2	4,647,654
2006	1,663,820	35.8	1,753,191	37.7	1,229,246	26.5	4,646,257

(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)	
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
2007	78	16	4	98
2006	102	10	1	113

Source: Clackamas River Water Records

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

Fiscal Year Ended June 30,	Residential	Mult Family /Trailer Parks	Commerical	Industrial	Fire Service	Other	Total
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
2007	11,468	246	817	56	311	227	13,125
2006	11,529	252	776	59	329	194	13,139

Source: Clackamas River Water Records

CLACKAMAS RIVER WATER MONTHLY SERVICE CHARGE

Residential Users - North and South Service Areas

Fiscal Year Ended June 30,	Minimum Monthly Service Charge	Rate for First CCF (1)
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
2007	5.85	1.60

Residential Users - North Service Area

Fiscal Year Ended June 30,	Minimum Monthly Service Charge	Rate for First CCF (1)
2006	5.85	1.15

Residential Users - South Service Area

Fiscal Year Ended June 30,	Minimum Monthly Service Charge	Rate for First CCF
2006	5.85	2.35

(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, 2015 and 2006**

Consumer	2015		2006	
	Consumption (Hundred Cubic Feet)	Percent of District Total	Consumption (Hundred Cubic Feet)	Percent of District Total
Wholesale:				
Sunrise Water Authority	1,234,550	33.39%		
North Clackamas County Water Commission	-	-	1,222,312	26.3%
City of Gladstone	-	-	200,537	4.3
Oak Lodge Water District	-	-	243,152	5.2
Commercial:				
Precision Castparts Corporation	152,439	4.1	144,261	3.1
Safeway	70,230	1.9	88,037	1.9
Clackamas Town Center	23,810	0.6	30,538	0.7
Fred Meyer, Inc.	22,861	0.6	39,890	0.9
N Clackamas Parks & Rec	19,145	0.5	22,417	0.5
Interstate Meats	18,890	0.5	16,204	0.3
Unified Western Grocers	14,859	0.4	17,760	0.4
Larsen Creamery Inc	19,182	0.5	-	0.0
Kaiser FDN Hospital	-	-	77,915	1.7
Multi-family:				
Country Village Mobile Home Park	41,576	1.1	51,862	1.1
Monterey Springs Apartments(Wellington/Wa	30,930	0.8	33,509	0.7
Lake Crest Apartment (GSL Properties)	31,207	0.8	32,072	0.7
Overlook at Causey	25,089	0.7	22,275	0.5
Johnson City	24,357	0.7	26,681	0.6
Clackamas Trails	23,204	0.6	28,246	0.6
Easton Ridge Appartments	22,451	0.6	-	-
Reflections at Happy Valley	19,445	0.5		0.0
Giadan K Estates	15,147	0.4	15,447	0.3
Oak Acres Mobile Home Park	11,441	0.3	30,520	0.7
The Fountains at Town CTR	10,941	0.3	13,791	0.3
Crown Court Apartments	-	-	26,029	0.6
All Other Consumers	1,865,704	50.5	2,256,417	48.6
	3,697,458	100.0%	4,639,872	100.0%

Effective March 1, 2001, Clackamas River Water consolidated billings to these entities into the North Clackamas County Water Commission, which supplies water to Oak Lodge Water District and Sunrise Water Authority.

Effective October 3, 2005, City of Gladstone joined the North Clackamas County Water Commission.

Source: Clackamas River Water Records

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

Fiscal Year Ended June 30,	Revenue Bonds (1)	District Bonded Debt per Capita (2)	Clackamas County Per Capita Income (3)	As a Share Of Personal Income (4)
2015	\$ 2,430,000	\$ 48.60	N/A	N/A
2014	\$ 2,790,000	\$ 55.80	49,453	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%
2007	6,015,000	120.30	43,965	0.27%
2006	6,385,000	127.70	41,378	0.31%

Notes:

- (1) Revenue bonds are the only kind of bonded debt
- (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
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
2007 (Restated)	9,162,796	6,418,823	2,743,973	370,000	328,610	698,610	3.93
2006	7,749,539	5,546,693	2,202,846	355,000	345,470	700,470	3.14

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**

Fiscal Year Ended June 30,	Population (1)	Personal Income (1) (thousands of dollars)	Per Capita Personal Income (2)	Portland Metropolitan Area Unemployment Rate (3)
2015	N/A	N/A	N/A	5.5
2014	394,972	N/A	N/A	6.1
2013	388,263	19,200,727	49,453	7.4
2012	383,857	18,535,004	48,286	8.5
2011	379,984	17,583,715	46,275	9.9
2010	381,775	17,162,313	44,954	10.7
2009	379,845	16,578,715	43,646	9.3
2008	376,660	16,875,498	44,803	5.4
2007	372,270	16,366,851	43,965	5.0
2006	367,040	15,187,381	41,378	5.0

(1) For Clackamas County.

(2) Data is for calendar years.

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

Sources: US Census Bureau, American Community Survey
Department of Human Resources, State of Oregon,
Employment Division, Clackamas County

**CLACKAMAS RIVER WATER
MAJOR EMPLOYERS WITHIN CRW DISTRICT
FOR THE YEARS ENDED JUNE 30, 2015 and 2006**

Name	Product or Service	2015 Estimated Employment	2006 Estimated Employment
Precision Castparts Corp.	Investments Castings	2,600	2,075
Fred Meyer, Inc.	Distribution Center	1,100	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	1,400
Camp Withycombe	Oregon National Guard/Oregon Military	610	270
Sears	Department Store	400	300
Oregon Iron Works	Steel Fabrication	200	150
Pacific Seafood, Inc	Distribution Center	300	
Costco	Shopping Club	300	
J.C. Penney Co.	Department Store	400	300
Gourmet Award Foods NW/KeHE	Distribution Center	250	500
Nordstrom	Department Store	225	350
VCA Animal Hospital	Veternary services	150	

Source: North Clackamas County Chamber of Commerce
Source: ReferenceUSA

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

Fiscal Year Ended June 30,	Administrative	Operational	Total
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
2007	13.5	22	35.5
2006	9.5	24	33.5

Source: Clackamas River Water Payroll Records

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

Fiscal Year Ended June 30,	Water Sales	Write Offs	% of Sales
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%
2007	7,021,874	3,891	0.06%
2006	6,686,744	1,646	0.02%

Source: Clackamas River Water Records

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

Fiscal Year Ended June 30,	Size of Watershed Square Miles	(1) Average Daily Production (MGD) (2)	(1) Peak Day Production (MGD) (2)	Miles of Water Mains (2)	Water Storage Capacity (MGD) (3)	Number of Pump Stations
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
2007	942	8.01	16.22	210	23.05	10
2006	942	8.40	15.52	210	22.95	10

(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

AUDIT COMMENTS & DISCLOSURES REQUIRED BY STATE REGULATIONS



Clackamas River Water

**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, 2015 and 2014, 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 28, 2015.

Internal Control Over Financial Reporting

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

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

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

**REPORT OF INDEPENDENT AUDITORS ON 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 (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 2015 and 2016.
- 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 28, 2015