

Comprehensive Annual Financial Report

For the fiscal years ended

June 30, 2016 and 2015



CLACKAMAS RIVER WATER

CLACKAMAS, OREGON

CLACKAMAS RIVER WATER
CLACKAMAS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal years ended June 30, 2016 and 2015

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, 2016

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, 2016. 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, 2016, and the results of operations for fiscal year 2015-2016.

Moss Adams, LLP, Certified Public Accountants, have issued an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2016. The independent auditor's opinion is located on page 1 in the Financial Section of this report.

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

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

Description of the Reporting Entity

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

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

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

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

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

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

General Framework

CRW is organized into six departments. The six departments are the Board of Commissioners, Administration, Water Resources, System Operations, Engineering, and Finance, Accounting and Customer Service. For the fiscal year 2015-2016 budget year, CRW has an authorized 40 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 Sunrise Water Authority through an Oregon Revised Statutes (ORS) 190 agreement.

CRW's primary sources of operating revenues are from the sale of water and related fees. For fiscal year 2015-2016 water sales accounted for 97.3 percent of total operating revenues, down from 98.0 percent in fiscal 2014-2015.

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 2016 CRW has continued the activities spelled out in the agreement with SWA to share resources for the benefit of both agencies and their customers; the Clackamas Regional Water Supply Commission (CRWSC). For example, CRW has excess capacity at the water treatment plant and SWA has significant growth potential in their service area. CRW has agreed to set aside up to 10 million gallons per day (MGD) for use by 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 December 31, 2017.

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. The District will update the SDC rate methodology after completion of the Water System Master Plan.

Water system costs are influenced by several notable factors:

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

The Board periodically reviews rates, keeping conservation pricing in mind, to promote the efficient use of water resources. Customer water rate structures are designed to promote water conservation through increasing block rates. This pricing structure, along with an expanded effort to educate customers about efficient water use strategies, encourages prudent use of water resources and helps mitigate future needs for capacity expansion. The most recent rate increase was effective May 1, 2016, based upon a cost of service analysis and was included in Board adopted rate increases through 2021.

We encourage our commercial accounts to promote conservation and discourage peak usage. Commercial rates include an annual calculation based on the average winter consumption (AWC) for each commercial customer to measure peak usage. When a commercial customer's bi-monthly consumption exceeds one and one-half times (1.5 times) their AWC, they are charged at a rate 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 12,500 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 begun to slowly increase. Factors that impact growth within CRW's service territory include National economic trends and Urban Growth Boundary adjustments by Metro and the Regional Government. Examples of growth that required new water services within CRW's boundary during the year include:

- 70 new domestic residential services
- 10 domestic commercial connections

Total new service connections were up by 31 connections over the prior year.

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

CRW's wholesale water agreement with SWA provides for the supply of water for up to 20 years. Historically, wholesale customers have used nearly one-half of the water produced and provided about 20 percent of the District's water sales revenue. This trend is changing with our wholesale customers using close to one-third of the water sold and providing about seven and one-half percent of the District's water sales revenue during fiscal year 2015-2016.

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 2015-2016, CRW spent over \$1.4 million 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. In March 2016 CRW issued \$19,790,000 in bonds for construction of the capital projects intended to move water from the water treatment plant north of the Clackamas River to CRW customers south of the river at the Carver Bridge. Many of these projects have been anticipated in the water system master plan for many years. The addition of water mains, reservoirs and pump stations in both the North and South service

areas will improve fire flows, increase needed storage and provide for redundancy in our distribution system.

Fiscal Year 2016 in Review

During fiscal year 2015-2016, 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 was 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. 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. Bell Avenue waterline relocation, Monterey Avenue Waterline, Porter Property service relocation project, Butterfield Lane transmission main, Tolbert Bridge waterlines, and WTP intake repair project are the major projects during FY 2015-16. Bonds were issued in March 2016 to fund many of these capital projects.
2. *CRW's participation in the CRWSC.* CRW has provided the following services to Sunrise Water Authority:
 - a. Financial management services by sharing the CFO and staff with SWA since January 2015
 - b. 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
 - f. SCADA monitoring and support
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 2016 CRW implemented year three 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.

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

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

CRW may adopt supplemental budgets to accommodate unexpected additional resources or major, unforeseen expenditure requirements. Adoption of a supplemental budget requires a similar process including hearings before the public, publication in newspapers, approval by the Board, and the formal adoption of appropriations. The Board may modify original and supplemental budgets, under specific statutory guidelines, through the use of specific appropriation transfers. During fiscal year 2016, the Board approved a supplemental budget to create two new funds, Revenue Bond Proceeds Funds and CIP Bond Construction Fund, adopt appropriation for the use of 2016 revenue bond proceeds and repayment of debt service.

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, 2016 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, 2105. 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.

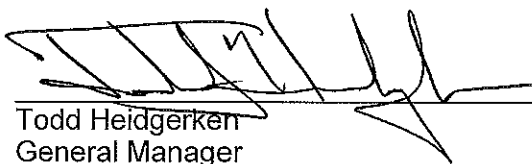
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and will again submit it to the GFOA to determine its eligibility for another certificate.

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, 2015. This award is the highest form of recognition in governmental budgeting and reflects a commitment by the governing body and staff to meet the highest principles of governmental budgeting. In order to receive the budget award, the entity must satisfy nationally recognized guidelines for effective budget presentation. The guidelines are designed to assess how well an entity's budget document serves as a policy document, financial plan, operational plan and a communications device. Budget documents must be rated proficient in all four categories, as well as fourteen mandatory criteria within those categories to receive the award.


Acknowledgements

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

Respectfully submitted,

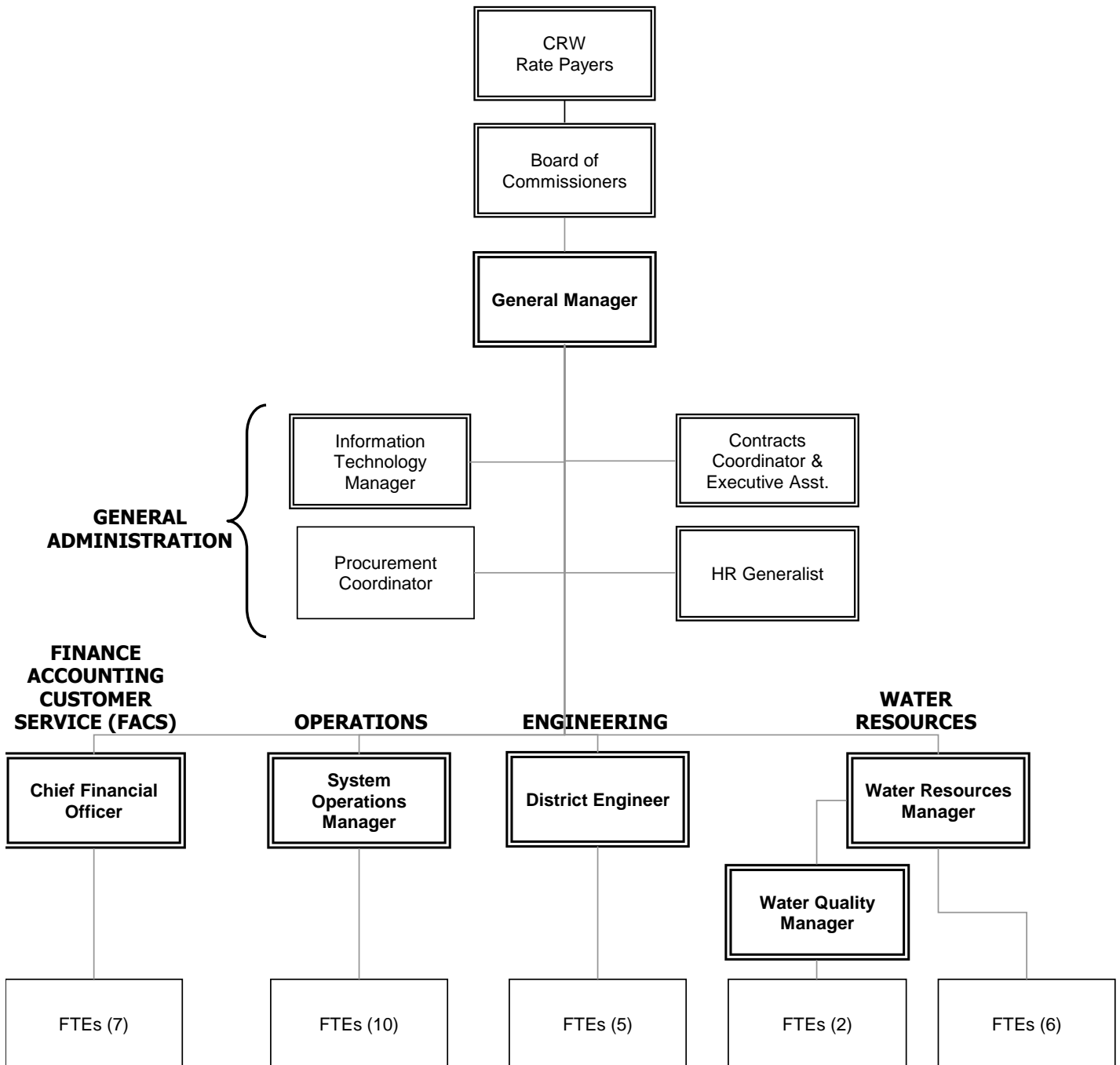


Todd Heidgerken
General Manager



Carol Bryck, CPFO, CTP
Chief Financial Officer

Organizational Structure



Double Lines = Non Represented Employees

Bold Lines = Managers

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

Commissioners as of June 30, 2016

Name	Term Expires
Hugh Kalani, President	June 30, 2017
Naomi Angier, Secretary	June 30, 2019
Larry Sowa, Treasurer	June 30, 2017
Kenneth Humberston, Commissioner	June 30, 2017
David McNeel, Commissioner	June 30, 2019

Leadership Team

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



Government Finance Officers Association

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, 2016 and 2015, 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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other 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 liability, and schedule of contributions as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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.

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 27, 2016, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
December 27, 2016

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 and 2015**

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, 2016. 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, 2016 by \$56,885,301 (net position). Of this amount, \$3,117,500 (unrestricted net position) may be used to meet ongoing obligations and \$29,478,054 (restricted or reserved net position) are held for debt service, pension, and capital projects. The balance, \$24,289,747 is net investment in capital assets.
- The District's net position increased by \$480,917, or .9 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 \$11,194,064, an increase of \$1,036,614, or 10.2 percent, over fiscal year 2015. The increase in the current year is mainly due to an increase in wholesale rates, effective July 1, 2015 and the retail rate increase effective May 1, 2015. Operating Expenses before depreciation totaled \$9,850,676, an increase of \$3,801,347, or 62.8 percent, over fiscal year 2015, which is attributed primarily to the change in accounting principal for pension accounting. The difference between operating revenues and expenses resulted in a Net Operating (Loss) totaling (\$680,642), compared to a gain of \$2,202,554 in fiscal year 2015.
- Capital assets, net of accumulated depreciation, totaled \$49,629,835 at June 30, 2016, a decrease of \$76,963, or .002%, from fiscal year 2015. Depreciation expense totaled \$2,024,030 and \$1,905,567 in fiscal years 2016 and 2015, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are included in the District's annual report and include the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows and notes to the financial statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements. 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, 2016 and 2015**

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

	2016	2015	Difference 2016-2015	Percent Change	2014 Restated
Assets					
Current assets	\$36,612,842	\$11,572,657	\$25,040,185	216.4%	\$10,176,345
Other assets	-	905,788	(905,788)	NA	-
Capital assets	49,629,835	49,706,798	(76,963)	-0.2%	49,734,323
Total Assets	<u>86,242,677</u>	<u>62,185,243</u>	<u>24,057,434</u>	<u>38.7%</u>	<u>59,910,668</u>
Deferred Outflows	704,492	399,300	305,192	76.4%	18,268
Total Assets and Deferred Outflows	<u>86,947,169</u>	<u>62,584,543</u>	<u>24,362,626</u>	<u>38.9%</u>	<u>59,928,936</u>
Liabilities					
Current liabilities	1,940,442	1,499,237	441,205	29.4%	1,574,747
Non-current liabilities	27,594,041	2,933,118	24,660,923	840.8%	3,332,069
Total Liabilities	<u>29,534,483</u>	<u>4,432,355</u>	<u>25,102,128</u>	<u>566.3%</u>	<u>4,906,816</u>
Deferred Inflows	527,385	1,747,804	(1,220,419)	-69.8%	-
Total Liabilities and Deferred Inflows	<u>30,061,868</u>	<u>6,180,159</u>	<u>23,881,709</u>	<u>386.4%</u>	<u>4,906,816</u>
Net Position					
Net investment in capital assets	46,355,623	47,205,145	(849,522)	-1.8%	46,859,257
Restricted	7,412,178	5,633,316	1,778,862	31.6%	4,977,188
Unrestricted	3,117,500	3,565,923	(448,423)	-12.6%	3,185,675
Total net position	<u>\$56,885,301</u>	<u>\$56,404,384</u>	<u>\$480,917</u>	<u>0.9%</u>	<u>\$55,022,120</u>
Total Liabilities and Net Position	<u>\$86,947,169</u>	<u>\$62,584,543</u>	<u>\$24,362,625</u>	<u>38.9%</u>	<u>\$59,928,936</u>

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2016 and 2015**

- Total assets increased this fiscal year by \$24,362,626, or 38.9%, and totaled \$86,947,169, \$62,584,543 and \$59,928,936 for fiscal years ended June 30, 2016, 2015 and 2014, respectively. Current assets increased by \$25,040,185, or 216.4%, and capital assets decreased by \$76,963, or .2%, for fiscal year 2016. Each of the current asset categories except supplies inventory showed growth in fiscal year 2016, particularly cash and cash equivalents (unrestricted and restricted) due to the new 2016 Bond Issuance. Capital assets have decreased slightly each year from fiscal year 2014 through fiscal year 2016; accumulated depreciation has been greater than additions to capital assets. In fiscal year 2015, total assets increased by \$2,655,607 compared to fiscal year 2014, primarily due to filter plant improvements, increases in cash and cash equivalents and accounts receivable, and a net pension asset arising from a change in accounting principal for pension expense.
- Deferred outflows increased \$305,192, or 76.4 percent, in fiscal year 2016 and totaled \$704,492, \$399,300, and \$18,268, respectively, for 2016, 2015 and 2014. Deferred outflows pertain to delayed charges on pension and bonded debt.
- Total liabilities and deferred inflows increased 386.4 percent during fiscal year 2016, with balances of \$30,061,868, \$6,180,159 and \$4,906,816 for fiscal years ended June 30, 2016, 2015, and 2014, respectively. Current liabilities increased by \$441,205, or 29.4 percent, during fiscal year 2016. The current portion of bonds payable increased by \$441,963, while a decrease in account payable was nearly offset by increases in the other current liability accounts. Non-current liabilities increased by \$24,660,923, or 840.8 percent due mainly to a new water bond payable for \$19.79 million entered into in March 2016. Proceeds will fund major construction activities of the district including additions, replacements, and improvements for storage, transmission, distribution, supply, and treatment facilities. Total liabilities for fiscal year 2015 decreased due to reductions in revenue bonds payable and accounts payable that exceeded slight increases in accrued expenses and customer deposits. No new debt was issued in fiscal year 2015.
- Deferred inflows is the net pension liability resulting from a change in accounting principle for pension accounting. This liability decreased by \$1,220,419, or 69.8 percent, in fiscal year 2016 and totaled \$527,385 and 1,747,804 for fiscal years 2016 and 2015, respectively.
- Net position may serve as a useful indicator of the District's financial position. As of June 30, 2016, 2015, and 2014, assets exceeded liabilities by \$56,885,301, \$56,404,384 and \$55,022,120, respectively, an increase of \$480,917, or 0.9 percent, over fiscal year 2015. This is due in part to a significant increase in restricted net position, which was largely offset by a decrease in net investment in capital assets and unrestricted net position. Restricted net position totaled \$7,412,178 in fiscal year 2016, an increase of \$1,778,862, or 31.6 percent, compared to fiscal year 2015. It accounts for 13.0 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 \$3,117,500 at June 30, 2016, a decrease of \$448,423, or 12.6 percent, compared to fiscal year 2015. In fiscal year 2015 net position increased by \$1,382,264, or 2.5 percent, over fiscal year 2014. Net investment in capital assets increased by \$345,888, restricted net position increased by \$656,128, and unrestricted net position increased by \$380,248 over fiscal year 2015.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2016 and 2015**

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

	2016	2015	Difference 2015-2016	Percent Change	2014 Restated
Operating Revenues:					
Water sales	\$10,887,335	\$9,955,874	\$931,461	9.4%	\$8,815,333
Other	306,729	201,576	105,153	52.2%	203,484
Total Operating Revenues	11,194,064	10,157,450	1,036,614	10.2%	9,018,817
Nonoperating Revenues:					
Federal & other awards	-	-	-		393,909
Interest earnings	117,890	42,650	75,240	176.4%	41,317
Rental income	108,272	104,801	3,471	3.3%	101,924
Other	306,779	177,677	129,102	72.7%	21,151
Total Revenues	11,727,006	10,482,578	1,244,428	11.9%	9,577,118
Operating Expenses					
Water Resources	3,287,224	2,445,624	841,600	34.4%	2,568,488
System Operations	1,893,554	1,002,488	891,066	88.9%	1,461,265
Finance, Accounting and Customer Service	1,411,476	841,856	569,620	67.7%	972,661
Administrative Services	2,239,563	1,540,718	698,845	45.4%	1,711,775
Engineering	709,806	261,016	448,790	171.9%	465,458
Board of Commissioners	178,896	89,021	89,875	101.0%	129,577
CRWSC Activity	323,015	25,593	297,422	1162.1%	984
Less:					
Overhead, equipment and labor capitalized	(192,858)	(156,987)	(35,871)	22.8%	(240,708)
Subtotal	9,850,676	6,049,329	3,801,347	62.8%	7,069,500
Depreciation	2,024,030	1,905,567	118,463	6.2%	1,846,508
Loss from disposal of capital assets	-	438	(438)	-100.0%	562
Interest expense	153,915	54,033	99,882	184.9%	47,172
Total Expenses	12,028,621	8,009,367	4,019,254	50.2%	8,963,742
Income (loss) before capital contributions	(301,615)	2,473,211	(2,774,826)	-112.2%	613,376
Capital Contributions & SDCs	782,532	556,353	226,179	40.7%	473,086
Increase in to Net Position	480,917	3,029,564	(2,548,647)	-84.1%	1,086,462
Total Net Position - Beginning	56,404,384	55,022,120	1,382,264	2.5%	54,750,686
Accum. Adj due to Change in Acct Principle		(1,647,300)			
Cummulative effect of Restatement					(815,028)
Total Net Position - Ending	\$56,885,301	\$56,404,384	(\$1,166,383)	-2.1%	\$55,022,120

Total revenues increased \$1,244,427, or 11.9 percent, for fiscal year 2016. Total revenue was \$11,727,005, \$10,482,578 and \$9,577,118 for fiscal years ended June 30, 2016, 2015 and 2014, respectively. Increases were noted in operating revenues due to water sales. Water sales increased by \$931,461, \$1,140,541 and \$779,958 in fiscal years 2016, 2015 and 2014, respectively, due to rate increases effective May 1, 2015 (retail) and July 1, 2015 (wholesale). Non-operating revenues increased by \$207,813, or 63.9 percent, in fiscal year 2016. This was due to interest on revenue bond proceeds and payments from Sunrise Water Authority for the use of CRW equipment and services rendered under the ORS190 Agreement. Fiscal year 2015 total revenue increased

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2016 and 2015**

\$905,460, or 9.5 percent, over fiscal year 2014. Increases were noted in water sales due to the retail rate increase effective May 1, 2014. Non-operating revenues declined significantly due predominately to a large PGE contribution included in Federal & other awards in 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.

Expenses incurred by the six departments (Water Resources; System Operations; Finance, Accounting and Customer Service; Administrative Services; Engineering; and Board of Commissioners) totaled \$9,850,676, \$6,049,329 and \$7,069,500 for the fiscal years ended June 30, 2016, 2015 and 2014, 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 an increase of \$841,600, or 34.4 percent, in expenses compared to fiscal year 2015. Much of the increase results from a change in accounting principle for pension expense with the rest attributed to the following: water purchases; personnel services; electrical safety training and consulting; cleaning and survey of water treatment plant intake; and dues and memberships (Regional Water Providers Consortium, Clackamas River Water Providers. Fiscal year 2015 expenditures decreased by \$122,865 over fiscal year 2014 due to a change in accounting principle for pension expense, which was offset some by building and grounds maintenance previously coded to System Operations and rising personnel service costs, water purchases, PGE rates, and dues and memberships.

- The System Operations department experienced an increase of \$891,066, or 88.9 percent, in expenses compared to fiscal year 2015. The primary factor is a change in accounting principle for pension expense accounts, as well as rises in personnel services and contract work to support installation of new services. The \$458,777 reduction in expenses for fiscal year 2015 compared to fiscal year 2014 was 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 Finance, Accounting and Customer Service (FACS) department has expenditures of \$1,411,476 during fiscal year 2016, an increase of \$569,620, or 67.7 percent, from fiscal year 2015. The majority of the increase is due to the change in accounting principle for pension expense. The department also recognized increases in credit card processing fees, bank and legal fees for bond issuance, and two temporary staff. These costs were partially offset by reductions in salaries due to the sharing of resources under the ORS190 partnership with Sunrise Water Authority. Fiscal year 2015 experienced a decrease of \$130,805 in expenditures due to a change in accounting principle for pension expense, which was partially offset by the City of Oregon City right-of-way usage fee and the Records Coordinator position moving from Administrative Services to FACS.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2016 and 2015**

- Administrative Services department expenses increased by \$698,845, or 45.4 percent, in fiscal year 2016 compared to fiscal year 2015. The change in accounting principle for pension expense makes up a significant portion of the increase. Other contributors include personnel services, emergency preparedness, and bond project viability and wholesale water rate reviews. These costs were offset somewhat by reductions in legal expenses and general liability insurance. Fiscal year 2015 expenses decreased by \$171,057 compared to fiscal year 2014 due to a change in accounting principle for pension expense and reductions in contract work (communications and media consulting, rate forecast, wage study), dues and memberships, and emergency preparedness. These reductions were offset in part by a fulltime Emergency Preparedness Manager, new cameras for security monitoring, and building and grounds maintenance previously coded to System Operations.

- The Engineering department expenditures increased by \$448,790, or 171.9 percent, in fiscal year 2016 compared to fiscal year 2015. This increase is due predominantly to a change in accounting principal for pension expense, along with rising personnel service costs and an additional engineer to assist with the influx in construction projects. Fiscal year 2015 expenditures were \$204,442 below fiscal year 2014 due to a change in accounting principle for pension expense and the Principal Engineer's move to System Operations as Manager.

- Board of Commissioners' expenditures for 2016 increased by \$89,875, or 101.0 percent, over 2015. The primary reason for the rise in costs is the change in accounting principle for pension expense. In addition, expenses include a recruitment fee for the new General Manager and an increase in Commissioner's stipends; more commissioners claimed the stipend in FY16 than FY15 and there were a few more meetings. Expenses were offset to some degree by a decline in the need for executive assistance to the Board. Fiscal year 2015 expenses decreased by \$40,556 from fiscal year 2014 as a result of declines in public notices and executive assistance to the Board, as well as a change in accounting principle for pension expense. Reductions were offset partly by increases in legal services and miscellaneous expenses.

- Clackamas Regional Water Supply Commission expenditures were \$323,015, \$25,593 and \$984 in fiscal years 2016, 2015 and 2014, respectively. These significant increases are 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 from fiscal years 2014 to 2016 pertain to CRWSC administration, engineering, governmental affairs, and information technology.

- The amount of labor, overhead and equipment capitalized decreased \$35,871, or 22.8, percent for fiscal year 2016. For fiscal year 2015, there was a decrease of \$83,721, or 34.8 percent, compared to fiscal year 2014.

Depreciation expense increased \$118,463, or 6.2 percent, for fiscal year 2016. Depreciation expense was \$2,024,030, \$1,905,567 and \$1,846,508 for fiscal years ended June 30, 2016, 2015, and 2014, respectively. Interest expense was \$153,915, \$54,033 and \$47,172 for fiscal years ended June 30, 2016, 2015, and 2014, respectively. Interest expense increased significantly in fiscal year 2016 due the addition of the new 2016 bond interest, partially offset by an increase in interest expense capitalized for additional capital projects under construction.

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2016 and 2015**

Capital Assets

At June 30, 2016, the District had \$49,629,835 invested in a broad range of capital assets net of accumulated depreciation, including land, buildings, machinery, pump stations, reservoirs, distribution systems and construction-in-progress. The District had \$2,987,109 in additions or transfers during fiscal year 2016. Of that amount, \$2,483,925 of additions were for improvements for the water distribution system. The District had \$686,698 of construction-in-progress at June 30, 2016. In fiscal year 2016, the District expensed \$2,024,030 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). On March 4, 2016 the district issued \$19,790,000 in Water Revenue Bonds with an average interest rate of 4.20 percent to finance capital improvements to the District's facilities and to pay costs of issuance of the Series 2016 bonds. Additional information regarding the District's long term debt can be found in note 6 of the Notes to the Basic Financial Statements.

Impact of GASB 68

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

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

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

A net pension liability was recorded in the statement of net position in the amount of \$2,251,307. The expense is the District's share of the collective net pension expense from the pension system's actuary for fiscal year 2013-14 rolled forward to June 30, 2015 as required by GASB 68.

Economic Factors, Next Year's Budget and Rates

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

**CLACKAMAS RIVER WATER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2016 and 2015**

- 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, 2016 and 2015**

	2016	2015
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,643,860	\$ 3,208,665
Cash held for customer deposits	164,480	141,328
Accounts receivable, net	2,271,372	2,163,288
Supplies inventory	184,385	184,548
Prepaid expenses and other receivables	232,194	212,703
Current assets - unrestricted	<u>7,496,291</u>	<u>5,910,532</u>
Cash and cash equivalents - restricted	29,116,551	5,662,125
Current assets - restricted	<u>29,116,551</u>	<u>5,662,125</u>
Total current assets	<u>36,612,842</u>	<u>11,572,657</u>
Noncurrent Assets:		
Pension asset	-	905,788
Capital assets not being depreciated	3,128,201	4,168,244
Capital assets, net of accumulated depreciation	46,501,634	45,538,554
Total noncurrent assets	<u>49,629,835</u>	<u>50,612,586</u>
DEFERRED OUTFLOWS		
Deferred Pension	618,564	383,912
Deferred charges on bonded debt	85,928	15,388
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 86,947,169</u></u>	<u><u>\$ 62,584,543</u></u>

**CLACKAMAS RIVER WATER
STATEMENT OF NET POSITION
as of June 30, 2016 and 2015**

	2016	2015
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 427,185	\$ 630,300
Accrued expenses	421,827	314,505
Current portion of capital lease	22,229	-
Customer deposits and prepaid revenue	182,967	158,179
Accrued interest	62,976	14,958
Current portion of bonds payable	823,258	381,295
Total current liabilities	1,940,442	1,499,237
Noncurrent liabilities:		
Capital Lease Payable	72,494	-
Transitional liability	762,205	797,372
Net pension liability	2,251,307	-
Bonds payable	24,508,035	2,135,746
Total noncurrent liabilities	27,594,041	2,933,118
TOTAL LIABILITIES	29,534,483	4,432,355
DEFERRED INFLOWS		
Deferred pension	527,385	1,747,804
TOTAL LIABILITIES & DEFERRED INFLOWS	\$ 30,061,868	\$ 6,180,159
NET POSITION:		
Net investment in capital assets	46,355,623	47,205,145
Restricted for: Debt service	346,286	391,703
Capital expenditures	5,921,267	4,104,263
Rate stabilization	1,144,625	1,137,350
Unrestricted	3,117,500	3,565,923
TOTAL NET POSITION	56,885,301	56,404,384
TOTAL LIABILITIES AND NET POSITION	\$ 86,947,169	\$ 62,584,543

CLACKAMAS RIVER WATER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES:		
Water sales	\$ 10,887,335	\$ 9,955,874
Water service connections fees	114,390	88,892
Water service extension fees	46,187	10,556
Service charges on past due accounts	75,777	60,830
Miscellaneous	70,375	41,298
Total operating revenues	11,194,064	10,157,450
OPERATING EXPENSES:		
Water resources	3,287,224	2,445,624
System operations	1,893,554	1,002,488
Finance, accounting and customer service	1,411,476	841,856
Administrative services	2,239,563	1,540,718
Engineering	709,806	261,016
Board of commissioners	178,896	89,021
CRWSC activity	323,015	25,593
Less: Capitalized labor and overhead	(192,858)	(156,987)
Depreciation and amortization	2,024,030	1,905,567
Total operating expenses	11,874,706	7,954,896
OPERATING GAIN (LOSS)	(680,642)	2,202,554
NONOPERATING REVENUES (EXPENSES):		
Interest expense, net	(153,915)	(54,033)
Interest earnings on cash equivalents	117,890	42,650
Rental income	108,272	104,801
Loss on disposal of capital assets	-	(438)
Other	306,779	177,677
Total nonoperating revenues	379,026	270,657
GAIN (LOSS) BEFORE CONTRIBUTIONS	(301,615)	2,473,211
SYSTEM DEVELOPMENT CHARGES	644,487	243,336
CAPITAL CONTRIBUTIONS	138,045	313,017
CHANGE IN NET POSITION	480,917	3,029,564
NET POSITION - BEGINNING OF YEAR, BEFORE ADJUSTMENT AND RESTATEMENT	56,404,384	55,022,120
Accumulated Adjustment for Change in Accounting Principle		(1,647,300)
Cumulative Effect of Restatement	-	-
NET POSITION - BEGINNING OF YEAR, AFTER ADJUSTMENT AND RESTATEMENT	\$ 56,404,384	53,374,820
NET POSITION - END OF YEAR	\$ 56,885,301	\$ 56,404,384

**CLACKAMAS RIVER WATER
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2016 and 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 10,857,399	\$ 9,615,006
Cash payments to suppliers for goods and services	(4,236,366)	(3,722,495)
Cash payments to employees for services	(4,240,789)	(3,904,136)
Other receipts	238,725	237,698
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,618,970	2,226,073
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on revenue bonds	(365,000)	(360,000)
Interest paid on revenue bonds, net of amount capitalized	(233,802)	(95,555)
Net proceeds on bond issuance	23,008,110	-
Proceeds from sale of capital assets	28,846	23,544
System development charges received	663,395	257,187
Grant and other revenue	-	-
Acquisition and construction of capital assets	(1,316,819)	(1,388,824)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	21,784,731	(1,563,648)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Rents received	111,272	105,044
CRWSC - Shared Resources	262,319	115,640
Right of Way fee - Oregon City	17,591	14,761
NET CASH FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	391,183	235,445
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	117,890	42,650
NET CASH FROM INVESTING ACTIVITIES	117,890	42,650
NET CHANGE IN CASH AND CASH EQUIVALENTS	24,912,773	940,520
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,012,118	8,071,598
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 33,924,891	\$ 9,012,118
STATEMENT OF NET POSITION ACCOUNTS		
Cash and cash equivalents	\$ 4,643,860	\$ 3,208,665
Cash held for customer deposits	164,480	141,328
Restricted cash	29,116,551	5,662,125
	\$ 33,924,891	\$ 9,012,118

See notes to basic financial statements

CLACKAMAS RIVER WATER
STATEMENTS OF CASH FLOWS (Continued)
for the years ended June 30, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
Operating income (loss)	<u>\$ (680,642)</u>	<u>\$ 2,202,553</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,024,030	1,905,567
Capitalized labor and overhead	(192,858)	(156,987)
Pension Expense - GASB 68	1,666,858	(1,190,694)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(108,084)	(375,265)
Supplies inventory	163	(7,656)
Prepaid expenses	(19,491)	(72,871)
Increase (decrease) in:		
Accounts payable	(203,115)	(107,544)
Accrued expenses	107,322	15,553
Prepaid revenue	24,788	13,415
Total adjustments	<u>3,299,613</u>	<u>23,518</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 2,618,971</u>	<u>\$ 2,226,071</u>

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

Donated capital assets	<u>\$ 138,045</u>	<u>\$ 313,017</u>
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CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 AND 2015

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

Accounts Receivable:

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

Management determines receivables to be past due based on individual circumstances and writes off accounts when they are determined to be uncollectible. The District's collection program includes applying service charges to past due accounts, extending payment terms and, if needed, discontinuing water services. The District determines its allowance for uncollectible accounts by considering a

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 39.8 percent of internal costs and 9.6 percent of outside costs for the year ended June 30, 2016 and 30.7 percent of internal costs and 4.6 percent of outside costs for the year ended June 30, 2015. Capitalized labor and overhead costs totaled \$192,858 and \$156,987 for the years ended June 30, 2016 and 2015, respectively. Capitalized interest is allocated based on the weighted average net borrowing costs incurred and totaled \$78,583 and \$26,173 for the years ended June 30, 2016 and 2015, 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, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

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

Compensated Absences:

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

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

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

Pensions, Deferred Inflows, and Outflows of Resources:

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

Net Position:

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

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

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

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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 or biennial budgets to be adopted for each of the District's funds and requires specific procedures to be followed when budgeting, including establishing a budget committee, providing adequate public notices of budget hearings, adopting the budget and making appropriations. Starting with fiscal year 2015-16 the District adopted a biennial budget for 2015 – 2017. Prior budgets were adopted annually. The District's budget for the General Fund is adopted on the modified accrual basis of accounting following the main budgetary control categories required under Oregon Budget Law, whereas budgets for all other funds are adopted on the modified cash basis. The Board of Commissioner's final resolution authorizing appropriations for each fund sets the level at which actual expenditures cannot be legally exceeded. Unspent appropriations lapse at the end of each fiscal year.

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

During the fiscal year the District adopted a supplemental budget for the creation of two funds, and add appropriations for capital outlay, interfund transfers and debt service. The supplemental budget was required for the new funds and expenditures related to the Revenue Bonds Series 2016 which were issued during March 2016.

A summary of the District's Biennium Period 2015-2017 Adopted 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, 2016 AND 2015

3. CASH AND CASH EQUIVALENTS

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

	2016	2015
Cash and cash equivalents:		
Cash on hand	\$ 900	\$ 900
Checking account	766,325	221,279
Participation in Oregon State Treasurer's Short-Term Investment Fund	<u>33,157,666</u>	<u>8,789,939</u>
Total cash and cash equivalents	<u>\$33,924,891</u>	<u>\$9,012,118</u>

Reported on the Statement of Net Position as follows:

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 4,643,860	\$3,208,665
Cash held for customer deposits	164,480	141,328
Noncurrent Assets:		
Restricted cash and cash equivalents	<u>29,116,551</u>	<u>5,662,125</u>
Total cash and cash equivalents	<u>\$33,924,891</u>	<u>\$9,012,118</u>

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. CASH AND CASH EQUIVALENTS, (continued)

At June 30, 2016, the book balance of the District's bank deposits (checking account) is \$601,845 and the bank balance is \$813,992. The difference is due to transaction in process. Of these deposits, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC). As required by Oregon Revised Statutes, deposits in excess of FDIC limits were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District's remaining deposits in excess of FDIC insurance are considered to be fully collateralized.

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

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2016	2015
Water sales receivables	\$ 1,156,289	\$ 1,005,223
Unbilled water sales	1,037,500	1,091,000
Less allowance for uncollectible accounts	<u>(10,000)</u>	<u>(10,000)</u>
Total water sales receivable	2,183,789	2,086,223
Other	<u>87,583</u>	<u>77,065</u>
Total accounts receivable, net	<u><u>\$ 2,271,372</u></u>	<u><u>\$ 2,163,288</u></u>

Accounts receivable are stated at cost and are unsecured. Management determines receivables to be past due based on individual circumstances and writes off accounts when they are determined to be uncollectible. The District's collection program includes applying service charges to past due accounts, extending payment terms and, if needed, discontinuing water services. Receivables more than 90 days past due totaled \$39,605 and \$25,644 at June 30, 2016 and 2015, 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, 2016 AND 2015

5. CAPITAL ASSETS

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

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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. CAPITAL ASSETS, (continued)

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>

Depreciation expense charged to operations totaled \$2,024,030 and \$1,905,567 for the years ended June 30, 2016 and 2015, respectively.

6. BONDS PAYABLE

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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

6. BONDS PAYABLE, (continued)

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

The revenue bond resolution contains covenants that rates and fees are adequate to generate net operating revenues (excluding depreciation) of at least 1.25 times principal and interest, and 1.00 times principal and interest after subtracting system development charges. Management believes the District has exceeded these requirements for the years ending June 30, 2016 and June 30, 2015.

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

	Balances June 30, 2015	Additions	Payments & Decreases	Balances June 30, 2016	Amount due within one year	Long-term portion
Revenue Bonds - 2009	\$ 2,430,000	\$ -	\$ (365,000)	\$ 2,065,000	\$ 380,000	\$ 1,685,000
Unamortized premium	87,041	-	(16,295)	70,746	16,295	54,451
Revenue Bonds - 2016		19,790,000		19,790,000	315,000	19,475,000
Unamortized premium		3,442,246	36,699	3,478,945	111,963	3,590,908
	<u>\$ 2,517,041</u>	<u>\$ 23,232,246</u>	<u>\$ (344,596)</u>	<u>\$ 25,404,691</u>	<u>\$ 823,258</u>	<u>\$ 24,805,359</u>

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>

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

6. BONDS PAYABLE, (continued)

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

Fiscal Year	Principal	Interest
2017	\$ 695,000	\$ 996,475
2018	715,000	973,375
2019	750,000	947,375
2020	775,000	920,275
2021	805,000	890,400
2022-2026	2,005,000	4,187,300
2027-2031	2,475,000	3,120,075
2032-2036	3,160,000	3,029,500
2037-2041	4,055,000	2,132,375
2042-2046	5,215,000	979,375
2047	1,205,000	30,125
	<u>\$ 21,855,000</u>	<u>\$ 18,206,650</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 2016. For FY 2015-16 pledged revenue was approximately 5.7 percent of water revenue. The bonds are not funded by tax charges and are not general obligations of the District.

Reserve Credit Facility:

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

7. CAPITAL LEASES

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

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

Fiscal Year	Amount
FY17	\$ 22,229
FY18	22,229
FY19	22,229
FY20	5,807
	<u>\$ 72,494</u>

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. RESTRICTED NET POSITION

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

	2016	2015
Restricted Net Position		
Debt Service Reserves	\$ 346,286	\$ 391,703
System Development Reserves	1,054,925	415,330
Capital Improvements Reserves	4,866,342	3,688,933
Rate Stabilization Reserves	1,144,625	1,137,350
Total Restricted Net Position	<u>\$ 7,412,178</u>	<u>\$ 5,633,316</u>

9. ACCRUED EXPENSES

Accrued expenses consist of the following at June 30:

	2016	2015
Compensated Absences	\$ 211,085	\$ 230,442
Payroll	180,292	72,492
PERS (note 11)	25,174	(26)
Payroll Taxes and other	5,276	11,596
	<u>\$ 421,827</u>	<u>\$ 314,505</u>

10. RENTAL INCOME

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

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

Rental income is recognized as non-operating revenue and totaled \$108,272 and \$104,801 for the years ended June 30, 2016 and 2015, respectively.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

10. RENTAL INCOME (continued)

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

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 104,818
2018	107,963
2019	111,202
2020	114,538
2021	117,974
2022-2024	508,366
	<u>\$ 1,064,861</u>

11. OPERATING LEASES

In December 2008 the District began leasing two mailing stations under agreements that expired in February 2014. In August 2013 the District signed a new agreement to replace the December 2008 agreement. The new agreement expires August 2018. Rent expense charged to operations under these agreements totaled \$2,971 and \$2,741, for the years ended June 30, 2016 and 2015, 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 \$17,384 and \$16,783 for each of the years ended June 30, 2016 and 2015, respectively. One copier, under a lease agreement that expires February 2015, has been exchanged with a new agreement that expires June 2019. The other copier, under a lease agreement that expires February 2015, has been exchanged with a new agreement that expires March 2020.

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

<u>Fiscal Year</u>	<u>Amount</u>
FY17	\$ 8,482
FY18	5,890
FY19	3,087
FY20	2,102
	<u>\$ 19,561</u>

The District leases other rental equipment under month-to-month agreements. Rent expense charged to operations under all operating leases totaled \$32,023 and \$63,998 for the years ended June 30, 2016 and 2015, respectively.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. 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 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. The Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits provided:

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

Pension Benefits:

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

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

Death Benefits:

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

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

Disability Benefits:

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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. PENSION PLANS, (continued)

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

Benefit Changes:

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

2. OPSRP Pension Program (OPSRP DB):

Pension Benefits:

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

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

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

Death Benefits:

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

Disability Benefits:

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

Benefit Changes 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.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. PENSION PLANS, (continued)

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

Death Benefits:

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

Recordkeeping:

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2016 and 2015 was \$510,373 and \$435,277, respectively, which included the transitional liability.

The rates in effect for the fiscal year ended June 30, 2016 was 18.71 percent for Tier One/Tier Two General Service Member, 13.86 percent for OPSRP Pension Program General Service Members. The rates in effect for the fiscal year ended June 30, 2015 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, 2016 and 2015, the District reported a liability of \$2,251,307 and a pension asset of \$905,788, respectively for its proportionate share of the net pension liability/asset. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 and rolled forward to June 30, 2015. At June 30, 2016, and 2015, the District's proportion was 0.03921 percent and 0.03996 percent, respectively.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. 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, 2016 and 2015, the District's recognized pension expense of \$1,702,024 and pension income of \$826,810, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Balance as of June 30, 2016		Balance as of June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 121,402	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net differences between projected and actual earning on plan investments	-	471,925	-	1,747,804
Changes in Proportionate Share	-	12,859	-	-
Differences between employer contributions and employer's proportionate share of system contributions	16,847	42,601	21,526	-
District contribution subsequent to the measurement date	480,315	-	362,386	-
Net Deferred Outflows/Inflows of Resources	<u>\$ 618,564</u>	<u>\$ 527,385</u>	<u>\$ 383,912</u>	<u>\$ 1,747,804</u>

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

	Deferred Outflows / Inflows of Resources (prior to post- measurement date contributions)
Year ended June 30:	
2017	\$ (205,506)
2018	(205,506)
2019	(205,506)
2020	221,386
2021	5,997
Thereafter	-
	<u>\$ (389,135)</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

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. PENSION PLANS (continued)

Actuarial assumptions: (continued)

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:

• Valuation Date	December 31, 2013 rolled forward to June 30, 2015
• Experience Study Report	2014, published September 2015
• Actuarial cost method	Entry Age Normal
• Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year); Amortization periods are closed
• 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
○ Cost of Living Adjustment	Blend of 2.00% COLA and Graded COLA (1.25%/1.5%) in accordance with Moro Decision; bland based on service
• Mortality	Healthy Retirees and beneficiaries: RP-2000 Gender-distinct, generational per Scale AA with collar adjustment and set-backs as described in the valuation.
	Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	Disable retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disability mortality gender-distinct table.

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, 2016 AND 2015

12. 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 liability to changes in the discount rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 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 (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% increase 8.50%</u>
District's Proportionate share of the net pension liability (asset)	\$ 5,433,447	\$ 2,251,307	\$ (430,400)

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. 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.

Transitional Liability

CRW joined the OPERS local government rate pool May 2001 to help stabilize the District annual pension rate. CRW actuarial liability at May 2001 remained with the District and is the sole responsibility of the District. The transition liability is amortized over a fixed period ending December 31, 2027. The transitional liability balance was \$762,206 and \$797,372 as of June 30, 2016 and 2015, respectively.

13. DEFERRED COMPENSATION PLANS

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

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

14. COMMITMENTS AND CONTINGENCIES

Legal Matters:

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

Unemployment Insurance:

The District is self-insured for unemployment compensation. Liabilities are recorded when it is probable that a loss has occurred and the amount can be reasonably estimated. The District paid no claims for the years ended June 30, 2016 and 2015.

Construction Commitments:

Construction in progress totaled \$686,698 at June 30, 2016. Of these projects, the District has made construction commitments of approximately \$2,201,000 as of June 30, 2016.

CLACKAMAS RIVER WATER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 12 - Pension Plan and Note 2 - Change in Accounting Principle.

REQUIRED SUPPLEMENTARY INFORMATION



Clackamas River Water

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

	<u>2016</u>	<u>2015</u>
Contractually required contribution (Actuarially Determined)	\$ 388,162	\$ 368,921
Contributions in relation to the actuarially determined contributions	\$ (440,445)	\$ (395,126)
Contribution deficiency (excess)	<u>\$ (52,283)</u>	<u>\$ (26,205)</u>
 Covered-employee payroll	 \$ 2,860,316	 \$ 2,762,206
 Contributions as a percentage of covered-employee payroll	 15.40%	 14.30%

Notes to Schedule

Valuation Date: 6/30/2013, rolled forward
to June 30, 2015

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal
Experience study report	2014, published September 2015
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 Gender-distinct tables

* Fiscal year 2015 was the 1st year of implementation.

Source: Milliman Actuarial Valuation Report September 2015

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

	<u>2016</u>	<u>2015</u>
Proportionate share of the net pension assets	0.0483%	0.0483%
Proportionate share of net pension assets (liability)	\$ (2,251,307)	\$ 905,788
Covered - employee payroll	\$ 2,860,316	\$ 2,762,206
Proportionate share of the net pension assets as percentage of covered-employee payroll	78.71%	32.79%
Plan's fiduciary net position	\$ 64,923,626,094	\$ 65,401,492,664
Plan fiducary net position as a percentage of the total pension asset	91.88%	103.59%

* Fiscal year 2015 was the 1st year of implementation.

Source: Milliman Actuarial Valuation Report September 2015

SUPPLEMENTARY INFORMATION



Clackamas River Water

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

General Fund

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

CRWSC Activity Fund

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

Capital Improvement Projects Fund

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

CIP Bond Construction Fund

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

Revenue Bond Fund

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

Revenue Bond Proceeds Fund

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

Capital Reserve Fund

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

Rate Stabilization Reserve Fund

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

SDC Reserve Fund

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

CLACKAMAS RIVER WATER
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenues:					
Water sales	\$ 18,315,000	\$ 18,315,000	\$ 10,084,190	\$ (8,230,810)	\$ 9,160,368
Service connections	213,600	213,600	114,390	(99,210)	88,892
Service charges	130,000	130,000	75,777	(54,223)	60,830
Miscellaneous - operating	20,000	20,000	54,388	34,388	18,628
Rental income	220,000	220,000	108,272	(111,728)	104,801
Miscellaneous - nonoperating	40,000	40,000	36,685	(3,315)	16,688
Grant funds	-	-	-	-	-
Surplus property sale	30,000	30,000	28,846	(1,154)	23,479
Right of Way Fees (Pass through)	31,400	31,400	17,591	(13,809)	14,761
Interest income	20,000	20,000	19,144	(856)	12,624
Total revenues	19,020,000	19,020,000	10,539,283	(8,480,717)	9,501,071
Other financing source:					
Transfer from					
Revenue Bond Proceeds Fund	-	269,500	149,923	(119,577)	-
CRWSC Activity Fund	1,590,000	1,590,000	765,000	(825,000)	785,000
Total other financing sources	1,590,000	1,859,500	914,923	(944,577)	785,000
Total revenues and other financing source	20,610,000	20,879,500	11,454,206	(9,425,294)	10,286,071
Beginning fund balance available for appropriation	4,000,000	4,000,000	4,846,400	846,400	3,861,753
	<u>\$ 24,610,000</u>	<u>\$ 24,879,500</u>	<u>\$ 16,300,606</u>	<u>\$ (8,578,894)</u>	<u>\$ 14,147,824</u>

CLACKAMAS RIVER WATER

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

for the year ended June 30, 2016

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

	2016				
	Biennial Budget 2015-2017 Original Budget	Final Budget	Year 1 Actual	Variance to Final Budget (Over) Under	2015 Actual
Expenditures:					
Water Resources:					
Personal services	\$ 2,227,166	\$ 2,227,168	\$ 1,088,458	\$ 1,138,710	\$ 1,052,020
Materials and services	3,756,600	3,756,600	1,812,026	1,944,574	1,716,697
Capital outlay	218,000	218,000	43,344	174,656	118,532
	<u>6,201,766</u>	<u>6,201,768</u>	<u>2,943,828</u>	<u>3,257,940</u>	<u>2,887,249</u>
System Operations:					
Personal services	2,215,852	2,215,851	1,094,708	1,121,143	948,996
Materials and services	866,400	866,400	404,582	461,818	345,979
Capital outlay	471,000	471,000	256,780	214,220	205,413
	<u>3,553,252</u>	<u>3,553,251</u>	<u>1,756,070</u>	<u>1,797,181</u>	<u>1,500,388</u>
Finance, Accounting, & Customer Service					
Personal services	1,427,002	1,427,002	629,124	797,878	767,100
Materials and services	677,000	852,800	531,156	321,644	309,927
Capital outlay	140,000	140,000	-	140,000	-
	<u>2,244,002</u>	<u>2,419,802</u>	<u>1,160,280</u>	<u>1,259,522</u>	<u>1,077,027</u>
Administrative Services:					
Personal services	1,205,881	1,205,881	853,727	352,153	734,533
Materials and services	2,054,500	2,087,500	723,708	1,363,792	853,120
Capital outlay	127,500	127,500	105,215	22,285	60,473
	<u>3,387,881</u>	<u>3,420,881</u>	<u>1,682,650</u>	<u>1,738,230</u>	<u>1,648,126</u>
Board of Commissioners					
Personal services	265,068	265,068	88,395	176,673	91,236
Materials and services	47,100	47,100	48,664	(1,564)	25,755
	<u>312,168</u>	<u>312,168</u>	<u>137,059</u>	<u>175,109</u>	<u>116,991</u>
Engineering					
Personal services	863,194	863,193	459,267	403,926	342,729
Materials and services	152,400	213,100	48,183	164,917	23,358
Capital outlay	10,000	10,000	7,229	2,771	-
	<u>1,025,594</u>	<u>1,086,293</u>	<u>514,679</u>	<u>571,614</u>	<u>366,087</u>
Contingency	750,000	750,000	-	750,000	-
Total expenditures	<u>17,474,663</u>	<u>17,744,163</u>	<u>8,194,567</u>	<u>9,549,596</u>	<u>7,595,868</u>
Other financing uses:					
Transfers to other funds:					
Capital Reserve Fund	4,000,000	4,000,000	1,750,000	2,250,000	1,250,000
CRWSC Activity Fund	123,000	123,000	-	123,000	-
Revenue Bond Fund	902,375	1,829,290	598,802	1,230,488	455,555
Total other financing uses	<u>5,025,375</u>	<u>5,952,290</u>	<u>2,348,802</u>	<u>3,603,488</u>	<u>1,705,555</u>
Total expenditures and other financing uses	<u>22,500,038</u>	<u>23,696,453</u>	<u>10,543,369</u>	<u>13,153,084</u>	<u>9,301,423</u>
Unappropriated ending fund balance	2,109,962	1,183,047	5,757,237	(4,574,190)	4,846,400
	<u>\$ 24,610,000</u>	<u>\$ 24,879,500</u>	<u>\$ 16,300,606</u>	<u>\$ 8,578,894</u>	<u>\$ 14,147,823</u>

**CLACKAMAS RIVER WATER
CRWSC ACTIVITY FUND**
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	2016				
	Biennial Budget 2015-2017 Original Budget	Final Budget	Year 1 Actual	Variance to Final Budget Over (Under)	2015 Actual
Revenues:					
Water Sales	\$ 1,590,000	\$ 1,590,000	\$ 803,145	\$ (786,855)	\$ 795,506
Miscellaneous - operating	54,000	54,000	62,174	8,174	25,101
Miscellaneous - nonoperating	672,600	672,600	223,657	(448,943)	122,749
Interest Income	-	-	144	144	
Total revenues	2,316,600	2,316,600	1,089,120	(1,227,480)	943,356
Other financing sources					
Transfers from other funds:					
General Fund	123,000	123,000	-	(123,000)	-
Total other financing sources	123,000	123,000	-	(123,000)	-
Total revenues and other financing sources	2,439,600	2,439,600	1,089,120	(1,350,480)	943,356
Beginning fund balance available for appropriations	50,000	50,000	133,178	83,178	415
	\$ 2,489,600	\$ 2,489,600	\$ 1,222,298	\$ (1,267,302)	\$ 943,771

	2016				
	Biennial Budget 2015-2017 Original Budget	Final Budget	Year 1 Actual	Variance to Final Budget (Over) Under	2015 Actual
Expenditures:					
Personal services	\$ 465,956	\$ 465,956	\$ 239,715	\$ 226,241	\$ -
Materials and services	285,500	285,500	83,300	202,200	25,593
Total expenditures	751,456	751,456	323,015	428,441	25,593
Other financing uses:					
Transfer to General Fund	1,590,000	1,590,000	\$ 765,000	825,000	785,000
Total expenditures and other financing uses	2,341,456	2,341,456	1,088,015	1,253,441	810,593
Unappropriated ending fund balance	148,144	148,144	134,283	13,861	133,178
	\$ 2,489,600	\$ 2,489,600	\$ 1,222,298	\$ 1,267,302	\$ 943,771

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

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenues:					
Interest income	\$ -	\$ -	\$ 956	\$ 956	\$ 860
Other Operating Inc	-	-	-	-	8,125
Total revenues	-	-	956	956	8,985
Other financing sources					
Transfers from other funds:					
SDC Reserve Fund	-	-	-	-	225,000
Capital Reserve Fund	2,666,000	2,666,000	1,250,000	(1,416,000)	775,000
Total other financing sources	2,666,000	2,666,000	1,250,000	(1,416,000)	1,000,000
Total revenues and other financing sources	2,666,000	2,666,000	1,250,956	(1,415,044)	1,008,985
Beginning fund balance available for appropriations	1,000	1,000	26,425	25,425	191,454
	<u>\$ 2,667,000</u>	<u>\$ 2,667,000</u>	<u>\$ 1,277,381</u>	<u>\$ (1,389,619)</u>	<u>\$ 1,200,439</u>

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget (Over) Under	2015 Actual
Expenditures:					
Capital Outlay	\$ 2,667,000	\$ 2,667,000	\$ 1,206,687	\$ 1,460,313	\$ 1,174,014
Total expenditures	2,667,000	2,667,000	1,206,687	1,460,313	1,174,014
Unappropriated ending fund balance	-	-	70,694	(70,694)	26,425
	<u>\$ 2,667,000</u>	<u>\$ 2,667,000</u>	<u>\$ 1,277,381</u>	<u>\$ 1,389,619</u>	<u>\$ 1,200,439</u>

**CLACKAMAS RIVER WATER
CIP BOND CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)**

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenues:					
Other financing sources					
Transfers from other funds:					
Revenue Bonds Proceeds Fund	-	6,000,000	1,000,000	(5,000,000)	-
Total other financing sources	-	6,000,000	1,000,000	(5,000,000)	-
Total other financing sources	-	6,000,000	1,000,000	(5,000,000)	-
Beginning fund balance available for appropriations	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ (5,000,000)</u>	<u>\$ -</u>

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget (Over) Under	2015 Actual
Expenditures:					
Capital Outlay	\$ -	\$ 6,000,000	\$ 189,990	\$ 5,810,010	\$ -
Total expenditures	-	6,000,000	189,990	5,810,010	-
Unappropriated ending fund balance	-	-	810,010	(810,010)	-
	<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>

FUND ESTABLISHED FISCAL YEAR 2015-2016
RESOLUTION 10-2016

**CLACKAMAS RIVER WATER
REVENUE BOND FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)**

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenue:					
Interest income	\$ 4,800	\$ 4,800	\$ 2,601	\$ (2,199)	\$ 2,085
Other financing sources:					
Transfers from other funds:					
General Fund	902,375	1,828,990	598,802	(1,230,188)	455,555
Total other financing sources	902,375	1,828,990	598,802	(1,230,188)	455,555
Total revenue and other financing sources	907,175	1,833,790	601,403	(1,232,387)	457,640
Beginning fund balance available for appropriations	478,000	478,000	479,746	1,746	477,661
	<u>\$ 1,385,175</u>	<u>\$ 2,311,790</u>	<u>\$ 1,081,149</u>	<u>\$ (1,230,641)</u>	<u>\$ 935,301</u>

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget (Over) Under	2015 Actual
Expenditures:					
Principal on bonds	\$ 745,000	\$ 1,060,000	\$ 365,000	\$ 695,000	\$ 360,000
Interest on bonds	157,375	768,990	233,802	535,188	95,555
Total expenditures	902,375	1,828,990	598,802	1,230,188	455,555
Unappropriated ending fund balance	482,800	482,800	482,347	453	479,746
	<u>\$ 1,385,175</u>	<u>\$ 2,311,790</u>	<u>\$ 1,081,149</u>	<u>\$ 1,230,641</u>	<u>\$ 935,301</u>

**CLACKAMAS RIVER WATER
REVENUE BOND PROCEEDS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)**

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenues:					
Interest income	\$ -	\$ -	\$ 57,765	\$ 57,765	\$ -
Total revenues	-	-	57,765	57,765	-
Other financing sources					
Bond proceeds from financing	-	23,233,000	23,232,246	(754)	-
Total other financing sources	-	23,233,000	23,232,246	(754)	-
Total revenues and other financing sources	-	23,233,000	23,290,011	57,011	-
Beginning fund balance available for appropriations	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 23,233,000</u>	<u>\$ 23,290,011</u>	<u>\$ 57,011</u>	<u>\$ -</u>

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget (Over) Under	2015 Actual
Expenditures:					
Interest on bonds	-	-	74,213	(74,213)	-
Other financing uses:					
Transfer to General Fund	-	269,500	\$ 149,923	119,577	-
Transfer to CIP Bond Construction Fund	-	6,000,000	\$ 1,000,000	5,000,000	-
Total expenditures and other financing uses	-	6,269,500	1,224,136	5,045,364	-
Unappropriated ending fund balance	-	16,963,500	22,065,875	(5,102,375)	-
	<u>\$ -</u>	<u>\$ 23,233,000</u>	<u>\$ 23,290,011</u>	<u>\$ (57,011)</u>	<u>\$ -</u>

FUND ESTABLISHED FISCAL YEAR 2015-2016
RESOLUTION 10-2016

**CLACKAMAS RIVER WATER
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)**

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenue:					
Interest income	\$ 23,700	\$ 23,700	\$ 25,444	\$ 1,744	\$ 19,235
Other financing source:					
Transfer from General Fund	4,000,000	4,000,000	1,750,000	(2,250,000)	1,250,000
Total revenue and other financing source	<u>4,023,700</u>	<u>4,023,700</u>	<u>1,775,444</u>	<u>(2,248,256)</u>	<u>1,269,235</u>
Beginning fund balance available for appropriations	3,393,000	3,393,000	3,507,600	114,600	3,013,365
	<u><u>\$ 7,416,700</u></u>	<u><u>\$ 7,416,700</u></u>	<u><u>\$ 5,283,044</u></u>	<u><u>\$ (2,133,656)</u></u>	<u><u>\$ 4,282,600</u></u>

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget (Over) Under	2015 Actual
Other financing uses:					
Transfer to CIP Fund	\$ 2,666,000	\$ 2,666,000	\$ 1,250,000	\$ 1,416,000	\$ 775,000
Total other financing uses	<u>2,666,000</u>	<u>2,666,000</u>	<u>1,250,000</u>	<u>1,416,000</u>	<u>775,000</u>
Unappropriated ending fund balance	4,750,700	4,750,700	4,033,044	717,656	3,507,600
	<u><u>\$ 7,416,700</u></u>	<u><u>\$ 7,416,700</u></u>	<u><u>\$ 5,283,044</u></u>	<u><u>\$ 2,133,656</u></u>	<u><u>\$ 4,282,600</u></u>

**CLACKAMAS RIVER WATER
RATE STABILIZATION RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)**

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenue:					
Interest income	\$ 11,400	\$ 11,400	\$ 7,274	\$ (4,126)	\$ 5,830
Beginning fund balance					
available for appropriations	1,135,700	1,135,700	1,137,350	1,650	1,131,520
	<u>\$ 1,147,100</u>	<u>\$ 1,147,100</u>	<u>\$ 1,144,624</u>	<u>\$ (2,476)</u>	<u>\$ 1,137,350</u>

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget (Over) Under	2015 Actual
Other financing use:					
Transfer to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing use	-	-	-	-	-
Unappropriated ending fund balance	1,147,100	1,147,100	1,144,624	2,476	1,137,350
	<u>\$ 1,147,100</u>	<u>\$ 1,147,100</u>	<u>\$ 1,144,624</u>	<u>\$ 2,476</u>	<u>\$ 1,137,350</u>

**CLACKAMAS RIVER WATER
SDC RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)**

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget Over (Under)	2015 Actual
Revenues:					
Interest income	\$ 1,500	\$ 1,500	\$ 4,562	\$ 3,062	\$ 2,015
System development charges	277,800	277,800	644,487	366,687	243,336
Total revenues	279,300	279,300	649,049	369,749	245,351
Beginning fund balance available for appropriations	411,200	411,200	415,329	4,129	394,978
	<u>\$ 690,500</u>	<u>\$ 690,500</u>	<u>\$ 1,064,378</u>	<u>\$ 373,878</u>	<u>\$ 640,329</u>

	2016				
	Biennial Budget 2015-2017			Variance to	
	Original Budget	Final Budget	Year 1 Actual	Final Budget (Over) Under	2015 Actual
Other financing uses:					
Transfers to other funds:					
Capital Improvement Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ 225,000
Revenue Bond Fund	-	-	-	-	-
Total other financing uses	-	-	-	-	225,000
Unappropriated ending fund balance	690,500	690,500	1,064,378	(373,878)	415,329
	<u>\$ 690,500</u>	<u>\$ 690,500</u>	<u>\$ 1,064,378</u>	<u>\$ (373,878)</u>	<u>\$ 640,329</u>

CLACKAMAS RIVER WATER
RECONCILIATION OF REVENUES AND EXPENDITURES
TO CHANGES IN NET POSITION
for the years ended June 30, 2016 and 2015

	2016	2015
	Combined	Combined
Revenues	\$ 35,603,738	\$ 10,725,913
Expenditures	10,587,274	9,251,031
	<u>25,016,464</u>	<u>1,474,882</u>
 Add (deduct) items to reconcile to change in net position on a GAAP basis:		
Expenditures capitalized	1,947,069	1,895,764
Loss on disposal of capital assets	-	(438)
Payment of bond principal	365,000	360,000
Bond proceeds	(23,232,246)	
Increase (decrease) in accrued interest payable on long-term debt	75,517	(1,935)
Change in Account Principle -Pension Expense	(1,666,858)	1,206,857
Depreciation	<u>(2,024,030)</u>	<u>(1,905,567)</u>
Change in net position	<u><u>\$ 480,917</u></u>	<u><u>\$ 3,029,564</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 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.	53
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.	57
Debt Capacity These schedules present information that may assist the reader in analyzing the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	64
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.	66
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.	70

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
2016	\$ 46,355,623	\$ 7,412,178	\$ 3,117,500	\$ 56,885,301
2015	47,205,145	5,633,316	3,565,923	56,404,384
(1) 2014 Restated	46,859,257	4,977,188	3,185,675	55,022,120
(1) 2013 Restated	45,127,061	6,632,843	2,161,544	53,921,448
2012	45,093,351	7,717,351	1,719,657	54,530,359
2011	44,422,001	9,381,946	1,928,663	55,732,610
2010	44,280,046	10,098,314	2,997,543	57,375,903
2009	42,989,749	10,354,518	3,352,570	56,696,837
2008	42,072,018	10,363,827	3,416,599	55,852,444
2007	42,643,916	9,599,287	3,868,193	56,111,396

(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

	2016	2015	2014	2013	2012 (1)
Operating Revenues:			Restated	Restated	
Water Sales	\$ 10,887,335	\$ 9,955,874	\$ 8,815,333	\$ 8,035,375	\$ 6,760,994
Other	306,729	201,576	203,484	294,236	161,270
Total operating revenues	11,194,064	10,157,450	9,018,817	8,329,611	6,922,264
Operating Expenses:					
Water Resources	3,287,224	2,445,623	2,568,488	2,591,089	2,441,134
System Operations	1,893,554	1,002,488	1,461,265	1,332,091	1,378,394
Finance, Accounting and Customer Service	1,411,476	841,856	972,660	867,780	945,548
Administrative Services	2,239,563	1,540,718	1,711,775	1,563,516	1,647,006
Engineering	709,806	261,016	465,458	424,690	425,856
Board of Commissioners	178,896	89,021	129,577	182,102	181,797
CRWSC Activity	323,015	25,593	984		
Overhead and equipment charges allocated and capitalized	(192,858)	(156,987)	(240,708)	(147,856)	(148,095)
Depreciation	2,024,030	1,905,567	1,846,508	1,853,297	1,824,342
Total operating expenses	11,874,706	7,954,895	8,916,008	8,666,709	8,695,982
Operating income:	(680,642)	2,202,555	102,809	(337,098)	(1,773,718)
Nonoperating revenues (expense)					
Federal award and other			393,909	70,000	35,383
Investment earnings on cash equivalents	117,890	42,650	41,317	45,131	46,405
Interest income from note receivable				5,169	7,241
Rental income	108,272	104,801	101,924	99,130	96,417
Other	306,779	177,677	21,151	26,847	53,133
Gain (loss) from disposal of capital assets		(438)	(562)		(18,226)
Interest expense (net)	(153,915)	(54,033)	(47,172)	(77,039)	(75,492)
Nonoperating income (expense) - net	379,026	270,657	510,567	169,238	144,861
Net Income before Capital Contributions	(301,615)	2,473,212	613,376	(167,860)	(1,628,857)
CAPITAL CONTRIBUTIONS	782,532	556,353	473,086	388,187	426,606
Change in Net Position, prior period adjustments		(1,647,300)	(815,028)	(829,238)	
CHANGE IN NET POSITION	\$ 480,917	\$ 1,382,265	\$ 271,434	\$ (608,911)	\$ (1,202,251)

(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

	2011 (1)	2010	2009	2008	2007
Operating Revenues:				Restated	Restated
Water Sales	\$ 6,522,923	\$ 6,885,983	\$ 7,119,235	\$ 6,718,938	\$ 7,021,874
Other	272,539	278,816	344,102	172,709	48,668
Total operating revenues	6,795,462	7,164,799	7,463,337	6,891,647	7,070,542
Operating Expenses:					
Water Resources	2,486,907	2,186,667	2,188,474	2,126,837	2,255,314
System Operations	1,156,549	1,295,568	1,460,683	1,344,771	2,044,612
Finance, Accounting and Customer Service	939,928	923,743	-		
Administrative Services	1,641,516	1,808,687	2,407,023	2,455,521	2,194,696
Engineering	793,297	404,518	367,106	336,193	-
Board of Commissioners	313,248	138,314	-	-	-
CRWSC Activity		-	-	-	-
Overhead and equipment charges allocated and capitalized	(207,086)	(147,025)	(201,908)	(243,474)	(327,584)
Depreciation	1,845,315	1,707,244	1,727,249	1,634,644	1,681,648
Total operating expenses	8,969,674	8,317,716	7,948,627	7,654,492	7,848,686
Operating income:	(2,174,212)	(1,152,917)	(485,290)	(762,845)	(778,144)
Nonoperating revenues (expense)					
Federal award and other	141,927	624,809	925,798	-	197,209
Investment earnings on cash equivalents	56,489	78,123	257,588	565,552	602,640
Interest income from note receivable	8,311	9,319	10,279	15,393	
Rental income	92,284	84,775	68,647	69,783	81,461
Other	18,137	174,318	75,582	(7,239)	-
Gain (loss) from disposal of capital assets	(52,849)	-	(523)	-	538,119
Interest expense (net)	(112,700)	(129,335)	(271,626)	(292,281)	(251,785)
Nonoperating income (expense) - net	151,599	842,009	1,065,745	351,208	1,167,644
Net Income before Capital Contributions	(2,022,613)	(310,908)	580,455	(411,637)	389,500
CAPITAL CONTRIBUTIONS	379,320	989,974	263,938	776,170	1,290,622
Change in Net Position, prior period adjustments				(623,485)	930,064
CHANGE IN NET POSITION	\$ (1,643,293)	\$ 679,066	\$ 844,393	\$ (258,952)	\$ 2,610,186

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
2016	\$ 644,487	\$ 114,390		\$ 23,655	\$ 782,532
2015	243,336	88,892		224,125	556,353
2014	167,096	86,754	-	219,236	473,086
2013	120,998	90,881	-	176,308	388,187
2012	85,911	65,695	-	275,000	426,606
2011	187,501	68,732	-	123,087	379,320
2010	107,380	21,779	-	860,815	989,974
2009	157,958	-	-	105,980	263,938
2008	461,316	-	-	314,854	776,170
2007	672,825	135,525	23,221	459,051	1,290,622

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
2016	3,190,319	3,448,384	92.5	729,651	829,715	-	87.9	3,919,970	4,278,099	91.6
2015	3,159,132	3,466,714	91.1	661,147	807,818	-	81.8	3,820,279	4,274,532	89.4
2014	3,050,963	3,318,539	91.9	639,324	788,754	-	81.1	3,690,287	4,107,293	89.8
2013	3,158,722	3,412,055	92.6	684,871	666,301	129,803	86.0	3,843,593	4,208,159	91.3
2012	3,016,986	3,265,033	92.4	575,567	599,662	107,779	81.4	3,592,553	3,972,475	90.4
2011	3,074,421	3,211,932	95.7	615,018	570,450	119,835	89.1	3,689,439	3,902,217	94.5
2010	3,149,458	3,242,080	97.1	699,150	593,046	138,396	95.6	3,848,608	3,973,522	96.9
2009	3,302,360	3,445,896	95.8	751,157	621,279	165,088	95.5	4,053,517	4,232,263	95.8
2008	3,448,453	3,505,731	98.4	711,238	654,617	128,934	90.8	4,159,691	4,289,282	97.0
2007	3,843,436	3,906,911	98.4	787,490	818,973	-	96.2	4,630,926	4,725,884	98.0

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)	
2016	\$ 803,145	7.4	\$ 4,676,994	42.9	\$ 5,414,207	49.7	\$ 10,894,346	
2015	784,506	8.0	4,294,834	44.1	4,669,156	47.9	9,748,496	
2014	755,849	8.8	3,756,360	43.5	4,118,075	47.7	8,630,283	
2013	581,317	7.3	3,598,923	45.2	3,778,375	47.5	7,958,615	
2012	573,886	8.6	2,995,837	44.6	3,139,897	46.8	6,709,620	
2011	571,809	8.6	2,894,595	43.7	3,152,192	47.6	6,618,597	
2010	575,930	8.2	3,031,481	43.1	3,430,538	48.7	7,037,948	
2009	575,773	7.9	3,208,880	44.0	3,511,930	48.1	7,296,583	
2008	575,169	8.7	2,949,065	44.6	3,090,379	46.7	6,614,614	
2007	499,707	7.1	2,964,622	42.2	3,564,456	50.7	7,028,785	

(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		Percent	Industrial /	Percent	Direct	Percent	
June 30,	Wholesale (1)	of Total	Commercial (1)	of Total	Residential (1)	of Total	Total
2016	1,219,751	31.1	1,496,116	38.2	1,204,103	30.7	3,919,970
2015	1,234,550	32.3	1,450,490	38.0	1,135,393	29.7	3,820,433
2014	1,223,505	33.2	1,344,349	36.4	1,122,433	30.4	3,690,287
2013	1,223,865	31.8	1,443,102	37.5	1,176,626	30.6	3,843,593
2012	1,239,597	33.3	1,369,885	36.8	1,112,951	29.9	3,722,433
2011	1,224,000	33.2	1,228,974	33.3	1,236,464	33.5	3,689,438
2010	1,223,821	31.8	1,270,692	33.0	1,354,095	35.2	3,848,608
2009	1,222,618	30.2	1,357,619	33.5	1,473,280	36.3	4,053,517
2008	1,160,710	27.9	1,595,740	38.4	1,403,241	33.7	4,159,691
2007	1,516,268	32.6	1,728,880	37.2	1,402,506	30.2	4,647,654

(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)	
2016	70	10	0	80
2015	43	6	0	49
2014	30	8	4	42
2013	26	3	2	31
2012	18	5	1	24
2011	56	6	1	63
2010	39	2	3	44
2009	53	4	3	60
2008	79	18	2	99
2007	78	16	4	98

Source: Clackamas River Water Records

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

Fiscal Year Ended June 30,	Residential	Multifamily /Trailer Parks	Commercial	Industrial	Fire Service	Other	Total
2016	10,877	225	831	53	340	181	12,507
2015	10,668	214	801	51	334	138	12,206
2014	10,623	222	802	52	330	148	12,177
2013	10,739	222	802	52	328	153	12,296
2012	11,595	229	800	57	328	182	13,191
2011	11,495	235	820	55	327	184	13,116
2010	11,484	230	815	56	324	184	13,093
2009	11,371	235	822	55	317	184	12,984
2008	11,391	234	834	59	304	184	13,006
2007	11,468	246	817	56	311	227	13,125

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)
2016	\$ 22.25	\$ 1.90
2015	17.62	1.90
2014	13.45	1.90
2013	9.54	1.90
2012	8.35	1.66
2011	5.85	1.60
2010	5.85	1.60
2009	5.85	1.60
2008	5.85	1.60
2007	5.85	1.60

(1) CCF means one hundred cubit feet

One hundred cubit 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, 2016 and 2007**

Consumer	2016		2007	
	Consumption (Hundred Cubic Feet)	Percent of District Total	Consumption (Hundred Cubic Feet)	Percent of District Total
Wholesale:				
Sunrise Water Authority	1,219,751	33.12%		
North Clackamas County Water Commission	-	-	1,272,448	37.5%
Commercial:				
Precision Castparts Corporation	163,632	4.4	132,553	3.9
Safeway	67,355	1.8	82,128	2.4
Clackamas Town Center	25,229	0.7	21,630	0.6
Fred Meyer, Inc.	42,058	1.1	36,668	1.1
N Clackamas Parks & Rec	13,854	0.4	24,829	0.7
Interstate Meats	18,886	0.5	13,992	0.4
Pacific Seafood	19,730	0.5	10,620	0.3
Unified Western Grocers	11,785	0.3	14,699	0.4
Larsen Creamery Inc	14,865	0.4	-	0.0
Kaiser FDN Hospital	-	-	64,487	1.9
Multi-family:				
Country Village Mobile Home Park	45,243	1.2	57,372	1.7
Monterey Springs Apartments	32,457	0.9	34,382	1.0
Lake Crest Apartment (GSL Properties)	38,470	1.0	30,021	0.9
Overlook at Causey	23,485	0.6	20,074	0.6
Johnson City	25,982	0.7	29,848	0.9
Clackamas Trails	24,413	0.7	27,834	0.8
Easton Ridge Apartments	20,317	0.6	24,243	0.7
Reflections at Happy Valley	19,155	0.5		0.0
Giadan K Estates	16,091	0.4	16,598	0.5
Oak Acres Mobile Home Park	8,765	0.2	24,605	0.7
The Fountains at Town CTR	12,527	0.3	15,339	0.5
Crown Court Apartments	-	-	19,780	0.6
All Other Consumers	1,818,614	49.4	1,421,946	41.9
	3,682,664	100.0%	3,396,096	100.0%

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)
2016	\$ 21,855,000	\$ 437.10	N/A	N/A
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%

Notes:

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

Source: Clackamas River Water Annual Financial Statements and Records

US Census Bureau, American Community Survey

Department of Human Resources, State of Oregon,

Employment Division, Clackamas County

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

Fiscal Year Ended June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2016	\$ 11,627,005	\$ 9,850,677	\$ 1,776,328	\$365,000	\$233,802	\$598,802	2.97
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

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)
2016	N/A	N/A	N/A	5.1
2015	401,515	N/A	N/A	5.5
2014	394,972	19,240,407	48,713	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

(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, 2016 and 2007**

Name	Product or Service	2016 Estimated Employment	2007 Estimated Employment
Precision Castparts Corp.	Investments Castings	2,600	2,075
Fred Meyer, Inc.	Distribution Center	1,500	1,100
Safeway Stores, Inc.	Distribution Center and Bakery	1,292	650
Warn Industries - Portland	4-Wheel Drive After Market Equipment	850	526
United Grocers, Inc.	Warehouse/Offices/Retail Trade	630	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	300
J.C. Penney Co.	Department Store	400	300
Gourmet Award Foods NW/KeHE	Distribution Center	250	500
Nordstrom	Department Store	225	225
VCA Animal Hospital	Veternary services	150	95

Source: North Clackamas County Chamber of Commerce
Source: ReferenceUSA

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

Fiscal Year Ended June 30,	Administrative	Operational	Total
2016	12	28	40
2015	12	26	38
2014	14	26	40
2013	13	26	39
2012	13	26	39
2011	13	24	37
2010	13	24	37
2009	9	25	34
2008	15	21	36
2007	13.5	22	35.5

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
2016	\$ 10,887,335	\$ 9,347	0.09%
2015	9,955,874	7,097	0.07%
2014	8,815,333	8,030	0.09%
2013	8,035,375	11,090	0.14%
2012	6,760,994	9,185	0.14%
2011	6,522,923	6,649	0.10%
2010	6,885,983	9,396	0.14%
2009	7,119,235	7,985	0.11%
2008	6,718,938	5,377	0.08%
2007	7,021,874	3,891	0.06%

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
2016	942	7.07	14.76	262	23.05	10
2015	942	7.11	17.19	262	24.45	10
2014	942	6.81	16.18	262	24.45	10
2013	942	8.63	12.57	262	24.35	10
2012	942	8.14	13.43	262	24.35	10
2011	942	8.00	12.43	210	23.05	10
2010	942	8.14	14.75	210	23.05	10
2009	942	8.67	13.58	210	23.05	10
2008	942	8.79	13.65	210	23.05	10
2007	942	8.01	16.22	210	23.05	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, 2016 and 2015, 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 27, 2016.

Internal Control Over Financial Reporting

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

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

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

**REPORT OF INDEPENDENT AUDITORS ON 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 2016 and 2017.
- 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 27, 2016