

Clackamas County Development Agency

(A Component Unit of Clackamas County, Oregon)

Keeping Clackamas Working

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**



**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Prepared by:

Clackamas County Department of Finance
Christa Wolfe, Director, Finance, CPA
Haley Fish, Deputy Director, Finance, CPA
David Bodway, Controller

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)**

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**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)**

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INTRODUCTORY SECTION



DAN JOHNSON
DIRECTOR

DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

DEVELOPMENT SERVICES BUILDING
150 BEAVERCREEK ROAD | OREGON CITY, OR 97045

Dec. 26, 2019

To the Citizens of Clackamas County:

The Comprehensive Annual Financial Report of the Clackamas County Development Agency (the Agency), an Urban Renewal Agency, for the fiscal year ending June 30, 2019 is hereby submitted as mandated by state statute. State statute requires that the Agency issue a report annually on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Agency's management and is based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls 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. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to fairly present the financial position and results of operations of the Agency and its various funds. All disclosures necessary to enable the reader to gain an understanding of the Agency's financial activities have been included.

This report includes all funds of the Agency. The Agency oversees the activities of three urban renewal districts in unincorporated Clackamas County. These districts are the Clackamas Town Center Development Area, the North Clackamas Revitalization Area, and the Clackamas Industrial Development Area. Each area has differing needs that drove the decision to form the district in which urban renewal programs are applied.

Oregon Municipal Audit Law, as contained in the Oregon Revised Statutes, requires an annual audit by independent certified public accountants. The firm of Moss Adams, LLP, was selected to perform the audit for the fiscal year ending June 30, 2019. The auditor's report on the general purpose financial statements is included in the financial section of this report.

Management's discussion and analysis immediately follows the report of the independent auditors and provides a narrative, introduction, overview and analysis of the basic financial statements. The management discussion and analysis, complements this letter and should be read in conjunction with it.

Profile of the Development Agency

The Agency is a component unit of Clackamas County, Oregon; the Clackamas County Board of Commissioners serves as its governing body. It has a budget committee, composed of the County Commissioners and five citizens, which reviews and approves the fiscal year budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by expenditure category within an individual fund. Budgeted funds include capital projects and tax increment funds for the urban renewal areas discussed below. The Director of Clackamas County's Department of Transportation and Development oversees the activities of the Agency and reports to the County Administrator and the Board of County Commissioners.

The Agency operated three urban renewal areas through fiscal year 2019. These areas are located in one of Oregon's fastest growing regions -- the urbanized northeast portion of Clackamas County.

The **Clackamas Town Center Development Area (CTC)**, which currently encompasses approximately 819 acres, was the first urban renewal program in Clackamas County. With a primary focus on the area around the intersection of I-205 and SE Sunnyside Road, this district focused on the community's need for new and expanded road systems to support the opening of the Clackamas Town Center shopping mall, and to meet the needs of the growing residential neighborhoods, and expanding health care facilities and businesses. In June of 2013, the tax levy within the CTC area was terminated. While the district is not receiving any tax increment revenues, remaining funds are programmed in the coming years to complete remaining projects within the plan area.

Just to the northwest of the Clackamas Town Center Area is the Agency's newest urban renewal area, the **North Clackamas Revitalization Area (NCRA)**. The Plan for this area was adopted in May 2006 and the area began receiving tax revenue in November 2007. Area residents helped develop the long-range plan for the district and its component projects. This 1,008-acre, primarily residential area has an approximate boundary of the County line to the north, the city of Milwaukie to the west, Monroe Street to the south and I-205 to the east. The NCRA was formed to help revitalize an area that had been historically depressed and blighted. While initial projects focused on expanded sewer service and accessibility to these services in the area, current and future projects and programs will have an emphasis on improving housing, reducing crime, upgrading the transportation system and generally increasing livability for current residents.

The **Clackamas Industrial Area (CIA)** is a major regional distribution, warehousing and wholesale trade center. Industry is attracted to the area for a variety of reasons, including access to the interstate freeway system and the international airport, and a large diversified labor force living nearby. The primary goals of the CIA are to reduce traffic congestion, control flooding, improve drainage, promote economic development and create new jobs for local residents. In 2006, the Agency terminated its tax levy in the CIA. Remaining projects are being completed with carryover funds that remain in the district's budget.

Local Economy

As a whole, Clackamas County has experienced steady growth in population and development. County population increased from 382,000 in 2010 to an estimated 416,000 in 2019.

- In the **Clackamas Town Center Area**, assessed value was \$32 million in 1980 when the area was adopted. Assessed values in 2013 of over \$584 million reflect the fact that this has been the region's fastest growing business center with development of high quality office, retail and multi-family projects. Increases in assessed values attest to the overall success of urban renewal area planning and development. In June 2013, the urban renewal levy within the Clackamas Town Center Area was terminated, adding approximately \$700 million of assessed value to the tax rolls over the life of the plan. (The area of the plan was reduced in 1988 adding \$90 million to the tax rolls, and again in 2005, adding an additional \$48 million. The final assessed value of \$584 million combined with the value of the plan reduction areas totals approximately \$700 million).
- The **North Clackamas Revitalization Area** had an assessed value of \$649 million in 2018, up from \$397 million when the district was formed in 2006. Further development is expected now that sewers have been installed, and programs to revitalize housing and streetscape improvements are in progress.
- The original assessed value of the **Clackamas Industrial Area**, adopted in 1984, was \$300 million. After making improvements that increased property values, in 2001 the Agency reduced the size of the district by 50 percent and added \$253.5 million to the general tax rolls. In 2006 when the tax levy was ended, the assessed value of the remaining district was \$323 million.

The Agency's work has fostered over \$1 billion of increased assessed value in and around the aforementioned urban renewal areas. With the termination of two of the three urban renewal area tax levies, the majority of this assessed value has been added back to the tax rolls to assist overlapping taxing districts in providing services to the citizens of Clackamas County.

The business base of Clackamas County is chiefly retail, warehousing and tourism, with metals manufacturing, machinery, healthcare, forestry, and agriculture also holding important places in the economic mix.

Oregon continues to enjoy a healthy economy. The industries that are seeing the most growth are healthcare, leisure and hospitality, construction, financial services and manufacturing (Oregon Employment Department).

The Portland area and Clackamas County experienced a 0.9% job growth rate over the past year. In terms of unemployment, Oregon ranked thirty-eighth lowest in the nation with a rate of 4.1%, as of September 2019. (U.S. Dept. of Labor). Clackamas County's rate fell from 3.9% at the end of the last fiscal year, to a rate of 3.7% in September 2019. Portland's rate was 3.9%, and the National average rate was 3.7%.

The housing market continues to be strong due to a shortage in supply but high demand. Median home prices in the County are approximately \$430,000. Home values continue to climb with an increase of approximately 3.9% over the past year.

Long-Term Financial Planning

Throughout the past decade, residential development has outpaced both commercial and industrial development in Clackamas County. This creates an imbalance for communities as the revenue collected by ad valorem property tax is less than the cost of providing services. A greater mix of commercial and industrial development is needed to restore the balance, and Agency activities will continue to play an important role in this long-term effort.

Agency projects are developed in conjunction with the community at large to solve specific problems, to bring new jobs to the area and to promote a positive image, with resulting increases in assessed values that also support infrastructure development. Over the long term, urban renewal accomplishes what other funding streams cannot because it provides a framework for planning, sequencing and implementing projects that provides for community-wide development of infrastructure and the related stability needed to attract private sector growth and investment.

Relevant Financial Policies

The urban renewal philosophy is to revitalize “blighted areas” as defined by Oregon law. Projects in each urban renewal area plan are designed to remove those blighting influences, which then allows for new development and/or redevelopment. Policies set forth within each urban renewal plan determine the use of Agency funds.

- The **CTC Development Area** was formed to provide transportation and community facilities. The Clackamas Regional Center Plan of 1998, which is part of the County’s Comprehensive Plan, also provides for the intensification of Class A office facilities.
- The **NCRA Plan** provides improved public health and safety in a mix of affordable housing types and mixed-use neighborhoods and encourages retail, economic, educational, transportation and recreational opportunities.
- Goals established in the **CIA Plan** seek to reduce traffic congestion, reduce flooding, improve drainage, foster economic development and create new jobs.

Major Initiatives

The Agency encourages high quality development and economic prosperity in the County and administers its three urban renewal areas accordingly. The areas are:

- Clackamas Town Center Development Area - a regional retail and business center.
- Clackamas Industrial Development Area - the largest wholesale distribution and manufacturing area in the County.
- North Clackamas Revitalization Area – a residential neighborhood community in need of improved public services and community investment.

Typically, the Agency supports economic growth by providing needed public improvements to promote orderly and attractive development. This new development brings jobs, an improved image and an increase in assessed real property value. Urban renewal projects are formed to revitalize “blighted areas” as defined in Oregon statute.

To the Citizens of Clackamas County
December 26, 2019

Funding for urban renewal projects is raised primarily through tax increment financing (TIF). The assessed value of property in an urban renewal district is divided into two parts:

- 1) The assessed value before the district is formed. The taxes from this assessed value pay for education and other local government services.
- 2) The increase in assessed value after the district is formed. The taxes on this increase, which occurs as development improves the area, pay for urban renewal projects.

CLACKAMAS TOWN CENTER AREA (CTC)

Adding Back: An important component of any urban renewal plan is the ability to, through new development, increase assessed value to the tax rolls for use by overlapping taxing districts in the area. Throughout the life of this plan, the Agency continued to be responsive to the needs of its overlapping taxing partners. This focus led to two key amendments of the plan area, one in 1988 and one in 2005, which reduced the size of the district and added \$138 million of assessed value to the general tax rolls for use by our taxing partners. In June 2013, the urban renewal levy within the Clackamas Town Center Area was terminated, adding an estimated \$584 million to the tax rolls, and approximately \$700 million over the life of the plan. This is value that would not have been realized without the presence of urban renewal to prioritize and fund needed infrastructure improvements that fostered new development in the area.

Although the levy was terminated in 2013, the Agency still had funds available to implement remaining projects identified in the CTC plan. Through an extensive public involvement effort, five projects were prioritized to be completed with the remaining funds. Those projects are:

Monterey Extension (82nd to Fuller): Construction was completed in December 2015. This project provided much needed east-west connectivity, which was a priority of the Clackamas Regional Center Working Group.

Otty Street Realignment: Construction was completed in the summer of 2017, which realigned Otty west of 82nd to the existing intersection of Otty to the east of 82nd, significantly improving safety and reducing congestion.

Boyer Drive Extension: Construction was completed in August 2018 providing improved east-west connections in the area. The intersection at Fuller/King was also modified to address safety issues as part of this project.

Clackamas Regional Center (CRC) Mobility Improvements: Construction will begin in January 2020 and will improve facilities for all modes of travel in the southern part of the regional center. This includes new intersections, new and wider sidewalks, improved lighting, and storm water facilities.

Sunnyside/Stevens Intersection: Due to the close proximity of this intersection to the CRC Mobility Improvement project, this intersection was incorporated into that design and will be constructed in 2020.

To the Citizens of Clackamas County
December 26, 2019

Disposition and Development Agreements: The Agency owns a number of properties throughout the Town Center area that were primarily acquired for road right-of-way. In some cases, only a portion of the property was needed, leaving an area large enough for redevelopment. The Agency continues to actively market these remnant sites for development.

CLACKAMAS INDUSTRIAL AREA (CIA)

Adding Back: In the Clackamas Industrial Area, the Agency remains focused on the needs of our overlapping taxing partners. In 2001, after most of the projects in the area had been completed, a major amendment to the Plan reduced the total area of the district by 50 percent and allowed property with an assessed value of \$253 million to be added to the general tax rolls. In 2006, the Agency terminated its tax levy in the area and by doing so added approximately \$223 million of additional assessed value to the general rolls. (The remaining assessed value in the District was \$323 million). The Agency's focus on removing blighting influences that limited the local community created an environment for private investment and increased assessed value. In return, this additional assessed value has provided a significant increase in operating revenue for service providers in the area to continue to meet the needs of the community. The Agency continues to actively work on the following projects:

Sunrise Corridor: The Sunrise Corridor opened in July 2016. In anticipation of construction of this vital new regional asset, the Agency advanced right-of-way acquisition on a willing buyer-willing seller basis. The Agency continues to coordinate with the Oregon Department of Transportation (ODOT) to convey real property assets to ODOT for right-of-way purposes.

Northwest Pipe and Casing Site: In fiscal year 2005-06, the Agency acquired the Northwest Pipe and Casing site; a 32-acre Superfund site in the Sunrise Corridor alignment. The Agency and the Oregon Department of Transportation are continuing negotiation for the conveyance of sizable portions of the site for the Sunrise Corridor project. While these transactions will reduce the Agency's overall real property interest in the site, the Agency continues to monitor the soil remediation program implemented by the federal Environmental Protection Agency (EPA).

Clackamas Industrial Area Opportunity Site: The Agency previously owned a 70-acre industrial site in the Capps Road area south of Highway 212. In order to make it "shovel ready," the Agency completed a master plan, creating three development parcels, received certification from the State of Oregon and completed construction of an extension of SE 120th Avenue. The three parcels have been sold and development agreements are in place. Construction is underway and when completed there will be approximately 600,000 square feet of new industrial space providing over 1,000 new jobs for the area.

NORTH CLACKAMAS REVITALIZATION AREA (NCRA)

Added value: The North Clackamas Revitalization Area project has increased assessed property value from \$397 million in 2006 to \$623 million in 2017, a \$226 million growth in value. Local transportation and sewer improvement projects have improved economic vitality in the area and are expected to increase the value of the tax rolls.

To the Citizens of Clackamas County
December 26, 2019

Street Improvements: The Agency, with input from NCRA residents, prioritized street improvement projects that focus on upgrading the road base, repaving, installing sidewalks, bicycle lanes, storm water facilities, safety improvements and landscaping. Projects that have recently been completed or are scheduled to begin in the near future include:

Bell Avenue Improvements: This project was completed in October 2016. New sidewalks and bicycle lanes and improved roadway were constructed the entire length of Bell between SE King Road and Johnson Creek. Local drainage improvements were also part of the project.

Sewer and Street Improvements: A new sewer system was constructed in portions of the NCRA. The Agency supported these efforts by providing capital funding in the amount of \$2,200 per eligible property to residents to help offset the cost of connecting to the new system and providing an additional contribution toward sewer construction costs to reduce assessments by \$1,250 per eligible property. The Agency also implemented a grant program in 2013 to assist eligible residents in the area by paying the principal on their annual sewer assessment fees. The program will be run on an annual basis and will continue through the 20-year assessment installment payment period.

Monroe Street and Linwood Avenue Improvements: Preliminary design began in 2019 on these road projects. Improvements may include roadway upgrades, sidewalks, safety enhancements, landscaping, lighting or stormwater improvements.

D Street Road Improvements: In conjunction with a new affordable housing development to be located within the Fuller Road Light Rail Station property, the Agency is completing road improvements that will provide enhanced vehicular and pedestrian access in the station area. Improvements include two new streets with on street parking, sidewalks, lighting and landscaping. Construction will begin summer 2020.

SE 79th Avenue Improvements: The intersection of 79th and Johnson Creek Boulevard has safety and congestion issues. This will only be compounded with the proposed development of a large multi-family complex directly north of the intersection. The Agency will assist with the cost of a new signalized intersection, which will greatly improve safety and reduce congestion.

Housing Assistance: Housing rehabilitation and down payment assistance loan programs have been established for eligible property owners in the NCRA. The first owner-occupied rehabilitation loan was awarded and completed in 2008. Since the program's inception, several property owners have been provided home buyer down-payment assistance loans and many more have made critical repairs to their homes with the help of rehabilitation loans provided by the Agency.

Awards and Acknowledgements

For the 25th year in a row, the Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the Clackamas County Development Agency for its Comprehensive Annual Financial

To the Citizens of Clackamas County
December 26, 2019

Report for the fiscal year ending June 30, 2018. In order to receive this award, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies generally accepted accounting principles and applicable legal requirements.

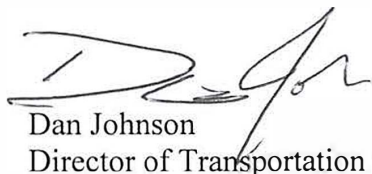
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the assistance of the staff of the Clackamas County Department of Finance, Division of Financial Management. Each member of the Financial Accounting and Reporting team has our sincere appreciation for the contributions made in the preparation of this report.

Grateful acknowledgment is also made to the Board of County Commissioners and the County Administrator, whose leadership and support made the preparation of this report possible.

Sincerely,

CLACKAMAS COUNTY DEVELOPMENT AGENCY



Dan Johnson
Director of Transportation and Development



Christa Bosserman Wolfe, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

**Clackamas County Development Agency
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

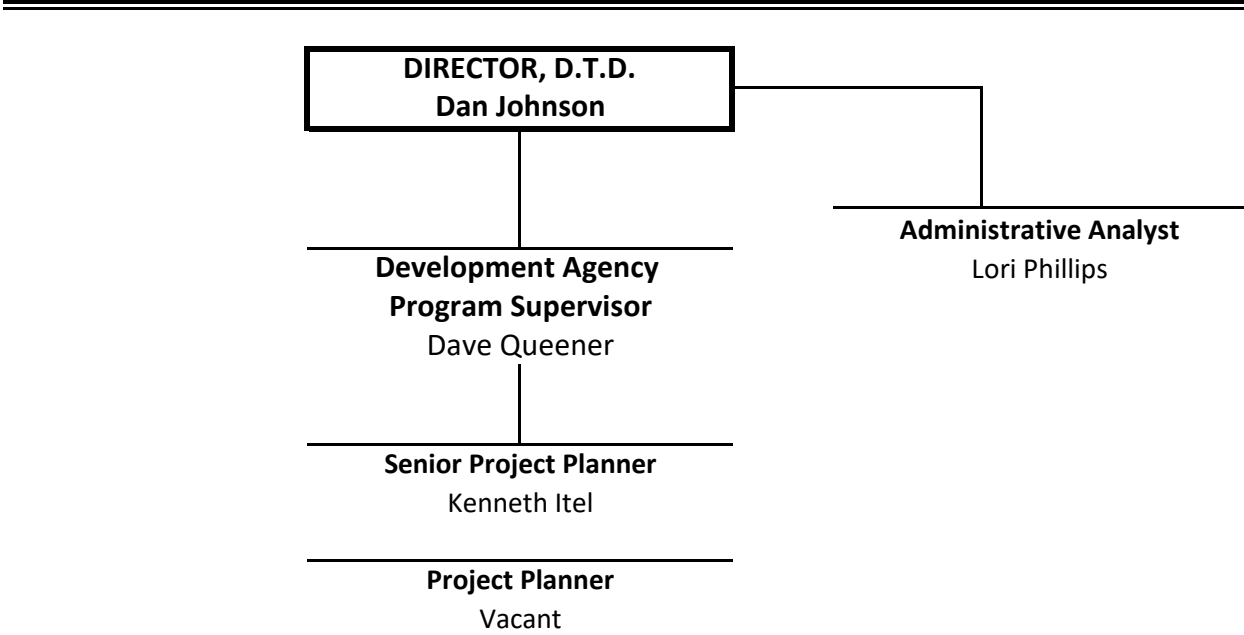
June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Department of Transportation & Development

FY 2018-2019



**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)**

**GOVERNING BODY UNDER ORS 451.485
BOARD OF COUNTY COMMISSIONERS
CLACKAMAS COUNTY, OREGON**

Public Services Building
2051 Kaen Road
Oregon City, Oregon 97045

COMMISSIONERS AS OF JUNE 30, 2019

<u>Name</u>	<u>Term Expires</u>
Jim Bernard, Chair Public Services Building	December 31, 2020
Sonya Fischer, Commissioner Public Services Building	December 31, 2022
Ken Humberston, Commissioner Public Services Building	December 31, 2020
Paul Savas, Commissioner Public Services Building	December 31, 2022
Martha Schrader, Commissioner Public Services Building	December 31, 2020

ADMINISTRATIVE OFFICES

Department of Transportation and Development
Clackamas County, Oregon
150 Beaver Creek Road
Oregon City, Oregon 97045

LEGAL COUNSEL AND REGISTERED AGENT

Stephen Madkour
2051 Kaen Road
Oregon City, Oregon

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Development Agency
Oregon City, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Clackamas County Development Agency (the Agency), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The individual fund schedules on pages 33 through 38 and schedule of property tax transactions on page 39, as listed in the table of contents, collectively referred to as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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.

Reports of Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated December 26, 2019, on our consideration of the Agency'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.



For Moss Adams LLP
Eugene, Oregon
December 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

This discussion and analysis of Clackamas County Development Agency offers readers a narrative overview of financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

- Assets of the Agency exceeded liabilities at the close of the fiscal year by \$118,997,120. Of this amount, \$41,953,389 is available to meet the Agency's ongoing obligations. The remainder is invested in capital assets.
- Overall, the Agency reported an increase in net position of \$1,401,951, or 1.2%, for the year. General revenues for the year were \$6,056,573, an increase of 37.8%, due to an increase in property taxes and the land sale proceeds. Public ways and facilities reports \$4,485,955 as program-specific expenses in excess of direct program revenues.
- The governmental funds reported a combined ending fund balance of \$45,246,985. Operations during the year increased by \$1,375,410 from the prior year, which is primarily due to a significant decrease in capital expenditures associated with capital projects.
- Total assets entity-wide increased \$4,868,904, or 4%, over the prior year. The net increase is due primarily to increased cash balances resulting from the land sales proceeds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities provide government-wide information for the Agency. These statements include all assets and liabilities of the Agency using the accrual basis of accounting, which is similar to the accounting methodology used by private sector entities. Current year revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report agency-wide net position and change from the prior year. Net position is the difference between assets and liabilities and represents a measurement of financial health. Over time, increases or decreases in Net Position indicate whether financial health is improving or deteriorating. The focus of the Statement of Activities is to match program costs to revenues. To the extent that program costs exceed program-specific revenue, those costs are paid from general Agency resources.

Following the government-wide financial statements are governmental fund financial statements. The statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. All funds are Major funds and are reported individually. A reconciliation of the fund financial statements to the agency-wide statements explains the differences in the two methods of reporting.

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position of the Agency increased 1.2%, from the prior year due increase in property taxes and the land sale proceeds. Increases arise from the excess of revenues over expense in the Statement of Activities and flows to the Statement of Net Position.

Statement of Net Position

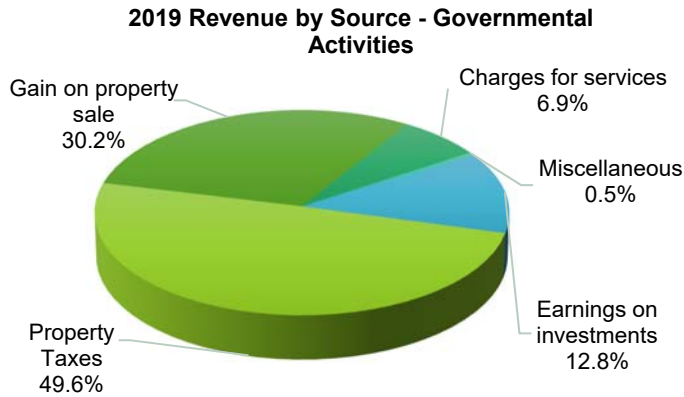
A condensed version of the Statement of Net Position for fiscal years ended June 30, 2019 and 2018 follows:

	2019	2018
Assets:		
Current assets	\$ 46,104,945	\$ 38,164,245
Property held for sale	4,452,652	7,181,650
Capital assets	77,043,731	77,386,529
Total assets	127,601,328	122,732,424
Liabilities:		
Current liabilities	5,729,208	1,852,355
Noncurrent portion of long-term debt	2,875,000	3,285,000
Total liabilities	8,604,208	5,137,355
Net position:		
Net investment in capital assets	77,043,731	77,386,529
Restricted for public ways and facilities	41,953,389	40,208,640
Total net position	\$ 118,997,120	\$ 117,595,169

Current assets increased \$7,940,700, or 20.8%, during the year, due primarily to the collection of \$8,945,546 on a land sale. Capital assets decreased by \$342,798 or 0.1% due primarily to depreciation. The total change in net position is discussed in the financial highlights section.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Statement of Activities



Total general revenues increased \$1,657,525, or 37.8%, during fiscal year 2019, primarily due to land sale proceeds revenue recognized in this fiscal year. Meanwhile, property tax collections also increased by \$145,317 or 4.7%.

During the year, program expenses for public ways and facilities increased by \$1,413,941, or 40.2%. The increase is

largely attributed to design costs associated with the future capital projects not ready for construction. Overall, the increase in program expenses along with an increase in total revenues resulted in the increase in net position of \$1,401,951, or 1.2%, during fiscal year 2019.

A schedule follows showing revenues and expenses by function and activity:

	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 446,378	\$ 424,455
General revenues:		
Property taxes levied for debt service	3,222,864	3,077,547
Earnings on investments	834,304	541,884
Gain on property sale	1,966,548	-
Miscellaneous	32,857	779,617
Total general revenues	<u>6,056,573</u>	<u>4,399,048</u>
Total revenues	<u>6,502,951</u>	<u>4,823,503</u>
Expenses:		
Public ways and facilities	4,932,333	3,518,392
Interest on long-term debt	168,667	170,857
Total expenses	<u>5,101,000</u>	<u>3,689,249</u>
Change in net position	1,401,951	1,134,254
Net position, beginning	<u>117,595,169</u>	<u>116,460,915</u>
Net position, ending	<u>\$ 118,997,120</u>	<u>\$ 117,595,169</u>

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FUND ANALYSIS

The Statement of Revenues, Expenditures and Changes in Fund Balance is presented for the governmental funds. Budget to actual schedules for the governmental funds are included in the supplemental information. This section will discuss fund balance changes.

As of the end of the current fiscal year, the Agency's combined ending fund balance is \$45,246,985. All of the Agency's fund balance is restricted. Property held for sale (also known as redevelopment properties) represents \$4,452,652 or 9.8% of the total restricted fund balance. The remainder, \$40,794,333 or 90.2%, is available for approved projects within the Agency's budget and debt services payments.

The Clackamas Town Center Development Area Fund balance increased by \$1,813,987, or 43.4%, mainly due to a transfer in to fund capital projects and expenditures from the Clackamas Town Center Tax Incremental Fund. This transfer was offset by ongoing capital projects expenditures during this fiscal year. The Fund has sufficient operating reserves remaining in fund balance to complete the projects identified by the Board.

The Clackamas Industrial Development Area Fund reports an increase in fund balance of \$1,749,369, or 23.29%, due to the sale of land during the fiscal year. The Fund has sufficient operating reserves remaining in fund balance to complete the projects identified by the Board.

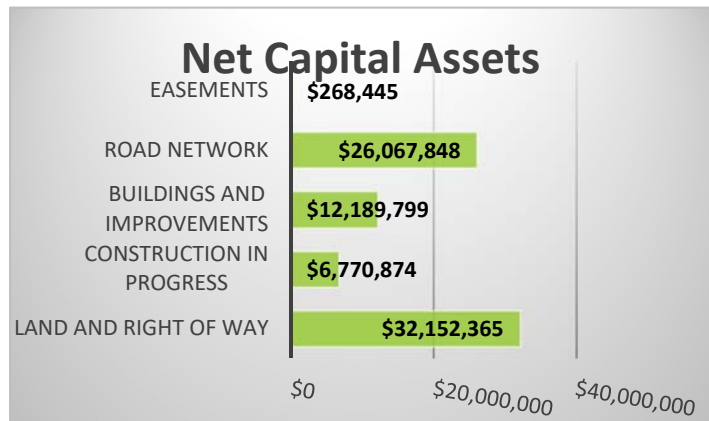
The North Clackamas Revitalization Fund balance decreased by only \$16,199, or 1.3%. Reduction was offset by a significant transfer in to fund capital projects and expenditures during this fiscal year. The Fund has spent down the majority of its operating reserves.

The Clackamas Town Center Tax Increment Fund balance decreased by \$4,464,923, or 15.9%, mainly due to transfers out to the Clackamas Town Center Development Area Fund for capital projects. This fund holds significant operating reserves for the Agency.

The North Clackamas Revitalization Area Tax Increment Fund balance increased \$2,293,176, or 80.3%. While the Fund has a modest ending fund balance, it collects property tax revenue annually well in excess of the required annual debt services payments.

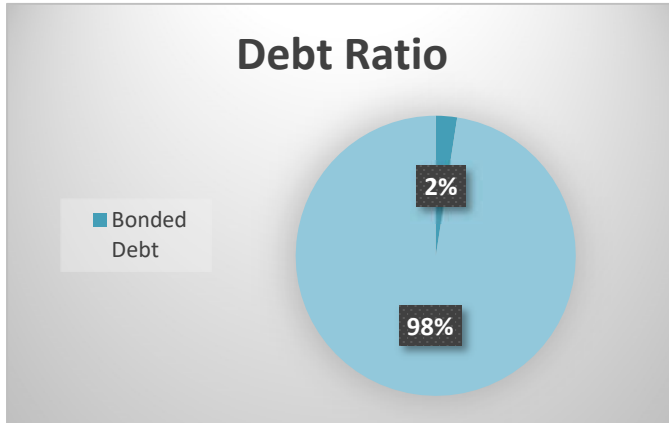
CAPITAL ASSETS

As of June 30, 2019, the Agency had \$77,043,731 in capital assets net of depreciation. Net capital assets decreased by \$342,798 due to depreciation as seen in the notes to the basic financial statements. Please see Notes 1 and 6 to the notes to the basic financial statements for the Agency's capital asset policies and activity.



**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

DEBT ADMINISTRATION



In 2012, new Urban Renewal Bonds were issued to finance sewer development projects in the North Clackamas Revitalization Area. Principal and interest are payable from the tax increment revenues generated in the North Clackamas Revitalization Area. The total outstanding balance at June 30, 2019 for bonds payable was \$3,285,000. Please see Note 7 in the notes to basic financial statements for more detail.

ECONOMIC FACTORS

The Clackamas County Development Agency is the urban renewal agency for Clackamas County responsible for implementing the County's Urban Renewal program. The Agency has three urban renewal tax increment financing (TIF) districts: Clackamas Town Center Development Area (CTC) Clackamas Industrial Development Area (CIA) and the North Clackamas Revitalization Area (NCRA). Each TIF district levies a property tax on the new growth (or incremental assessed value) within the District since its formation. The levy is comprised of the total consolidated tax rate of all overlapping taxing districts times the incremental assessed value in thousands. Tax revenues are pledged to developing and completing projects contained in each area plan. Projects are designed to remove or resolve the influences that inhibit or slow growth in the plan area.

For those levies that have terminated (CTC in 2013 and CIA in 2006), work continues with the remaining funds to complete the projects already in process for each area plan. Although there are funds available for previously planned projects, no action will be taken unless the Agency receives concurrence from the Agency's Board to advance these projects. The TIF's are reaching the end of their respective lives, and final projects as approved by the Board are being completed.

In December 2001, the Oregon Supreme Court issued its *Shilo v. Multnomah County et. al.* decision. The effect of the decision was that all revenues received by TIF programs are considered "Other Government" revenues regardless of levy origin and are subject to compression testing under Measure 5 at \$10 per \$1,000 of taxable assessed valuation. Impacts vary from one jurisdiction to the next depending on the local government tax rate and amount of TIF collections. To date, there is no material compression loss to Agency TIF revenues due to the *Shilo* decision.

Future revenues will be derived from existing incremental assessed value and growth in each plan area. The Agency is responsible for developing infrastructure projects which will influence or lead growth. Hence, future revenues should increase based on assessed value growth (presuming tax rates are not reduced, or the property tax system modified) for those districts which still actively levy.

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FINANCIAL CONTACT

The financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate accountability. If you have any questions about the report or need additional financial information, please contact the Clackamas County Department of Finance at 2051 Kaen Road, Oregon City, Oregon 97045-4035.

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 45,886,113
Property taxes receivable	86,019
Loans receivable, net	102,675
Restricted cash and investments	30,138
Property held for sale	4,452,652
Capital assets:	
Nondepreciable	38,923,239
Depreciable, net	<u>38,120,492</u>
TOTAL ASSETS	<u>127,601,328</u>
LIABILITIES:	
Accounts payable and other current liabilities	400,064
Accrued interest payable	80,960
Due to Clackamas County	4,788,759
Deposits payable	49,425
Current portion of long-term debt	410,000
Noncurrent portion of long-term debt	<u>2,875,000</u>
TOTAL LIABILITIES	<u>8,604,208</u>
NET POSITION:	
Net investment in capital assets	77,043,731
Restricted for public ways and facilities	<u>41,953,389</u>
TOTAL NET POSITION	<u>\$ 118,997,120</u>

The accompanying notes are an integral part of these financial statements

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expenses) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
EXPENSES:				
Public ways and facilities	\$ 4,932,333	\$ 446,378	\$ -	\$ (4,485,955)
Interest on long-term debt	168,667	-	-	(168,667)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total activities	<u>\$ 5,101,000</u>	<u>\$ 446,378</u>	<u>\$ -</u>	<u>(4,654,622)</u>
GENERAL REVENUES:				
Property taxes levied for debt service				3,222,864
Earnings on investments				834,304
Gain on property sale				1,966,548
Miscellaneous				32,857
				<u> </u>
Total general revenues				<u>6,056,573</u>
Change in net position				1,401,951
NET POSITION, BEGINNING				<u>117,595,169</u>
NET POSITION, ENDING				<u>\$ 118,997,120</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS
Major Governmental Funds

Urban Renewal Projects Fund

This fund accounts for the acquisition and construction of facilities by the issuance of bonds.

Urban Renewal Debt Service Fund

This fund accounts for the payment of principal and interest on the Agency's bonded debt.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	Capital Projects Funds			Debt Service Funds		Total Governmental Funds
	Clackamas Town Center Development Area Fund	Clackamas Industrial Development Area Fund	North Clackamas Revitalization Area Fund	Clackamas Town Center Tax Incremental Fund	North Clackamas Revitalization Area Tax Incremental Fund	
ASSETS:						
Cash and cash equivalents	\$ 5,052,791	\$ 10,522,214	\$ 1,632,403	\$ 23,543,305	\$ 5,135,400	\$ 45,886,113
Property taxes receivable	-	-	-	-	86,019	86,019
Notes receivable, net	-	-	102,675	-	-	102,675
Due from other funds	56,920	-	-	-	-	56,920
Restricted cash and investments	30,138	-	-	-	-	30,138
Property held for sale	1,291,861	3,160,791	-	-	-	4,452,652
Total assets	\$ 6,431,710	\$ 13,683,005	\$ 1,735,078	\$ 23,543,305	\$ 5,221,419	\$ 50,614,517
LIABILITIES:						
Accounts payable and other current liabilities	\$ 217,013	\$ 21,530	\$ 161,521	\$ -	\$ -	\$ 400,064
Due to Clackamas County	187,091	4,300,652	301,016	-	-	4,788,759
Due to other funds	-	56,920	-	-	-	56,920
Deposits	37,638	11,787	-	-	-	49,425
Total liabilities	441,742	4,390,889	462,537	-	-	5,295,168
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue- property taxes	-	-	-	-	72,364	72,364
FUND BALANCES:						
Restricted for:						
Debt service	-	-	-	23,543,305	5,149,055	28,692,360
Public ways and facilities	5,989,968	9,292,116	1,272,541	-	-	16,554,625
Total fund balance	5,989,968	9,292,116	1,272,541	23,543,305	5,149,055	45,246,985
Total liabilities, deferred inflows of resources and fund balance	\$ 6,431,710	\$ 13,683,005	\$ 1,735,078	\$ 23,543,305	\$ 5,221,419	\$ 50,614,517

The accompanying notes are an integral part of these financial statements

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clakamas County, Oregon)
RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2019

TOTAL FUND BALANCES		\$ 45,246,985
Amounts reported in the statement of net position are different because:		
Capital assets, net of depreciation, used in governmental activities are not financial resources, therefore, are not reported in the funds.		77,043,731
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		72,364
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Interest payable	(80,960)	
Long-term debt	<u>(3,285,000)</u>	<u>(3,365,960)</u>
Changes in net position		<u>\$ 118,997,120</u>

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Capital Projects Funds			Debt Service Funds		Total Governmental Funds
	Clackamas Town Center Development Area Fund	Clackamas Industrial Development Area Fund	North Clackamas Revitalization Area Fund	Clackamas Town Center Tax Incremental Fund	North Clackamas Revitalization Area Tax Incremental Fund	
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,241,778	\$ 3,241,778
Charges for services	356,823	89,555	-	-	-	446,378
Interest	57,213	110,400	26,922	535,077	104,692	834,304
Miscellaneous	6,421	211	22,599	-	3,626	32,857
Total revenues	420,457	200,166	49,521	535,077	3,350,096	4,555,317
EXPENDITURES:						
Public ways and facilities						
Materials and services	378,442	146,787	505,971	-	-	1,031,200
Expenditures for urban renewal	65,919	18,689	6,086	-	-	90,694
Capital outlay	3,162,109	251,869	53,663	-	-	3,467,641
Debt service:						
Principal	-	-	-	-	395,000	395,000
Interest and fiscal charges	-	-	-	-	161,920	161,920
Total expenditures	3,606,470	417,345	565,720	-	556,920	5,146,455
Revenues over (under) expenditures	(3,186,013)	(217,179)	(516,199)	535,077	2,793,176	(591,138)
OTHER FINANCING SOURCES (USES):						
Land sales proceeds	-	1,966,548	-	-	-	1,966,548
Transfers in	5,000,000	-	500,000	-	-	5,500,000
Transfers out	-	-	-	(5,000,000)	(500,000)	(5,500,000)
Total other financing sources (uses)	5,000,000	1,966,548	500,000	(5,000,000)	(500,000)	1,966,548
Net change in fund balances	1,813,987	1,749,369	(16,199)	(4,464,923)	2,293,176	1,375,410
FUND BALANCE, BEGINNING	4,175,981	7,542,747	1,288,740	28,008,228	2,855,879	43,871,575
FUND BALANCE, ENDING	\$ 5,989,968	\$ 9,292,116	\$ 1,272,541	\$ 23,543,305	\$ 5,149,055	\$ 45,246,985

The accompanying notes are an integral part of these financial statements

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clakamas County, Oregon)
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ 1,375,410
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The statement of revenues, expenditures, and changes in fund balances report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Depreciation	(2,925,533)	
Removal of basis of assets sold	(547,055)	
Capital asset additions	<u>3,129,790</u>	(342,798)

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(18,914)
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Interest expense is accrued on long-term debt, whereas in the governmental funds, it is recorded as an interest expenditure when	(6,747)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Payment on long-term debt principal	<u>395,000</u>
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Changes in net position	<u>\$ 1,401,951</u>
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The accompanying notes are an integral part of these financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Agency

Clackamas County Development Agency (the Agency), a blended component unit of Clackamas County, Oregon (the County), was organized in 1977 under the provisions of ORS 457 as the urban renewal agency of the County. The Agency has no potential component units. As provided by ORS 457.035 the Clackamas County Board of Commissioners (the Board) is the governing body of the Agency. The Agency's purpose is to implement programs that provide for economically, socially and environmentally sound development and redevelopment to revitalize blighted areas; building the County's property tax base and creating jobs for the citizens of Clackamas County. The Agency's current activities include the Sunnyside Projects to reduce traffic congestion, the development of the Sunrise Corridor, the revitalization of Government Camp, and the planning for revitalization in North Clackamas. Personnel of the Clackamas County Finance Department provide fiscal and accounting functions. Since the County is financially accountable for and significantly influences the operations of the Agency, the Agency is included in the financial statements of the County.

Basis of Presentation, Measurement Focus, and Basis of Accounting

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and earnings on investments.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes and earnings on investments are presented as general revenues.

Net Position is reported as restricted when constraints placed on them are either externally restricted, imposed by creditors (such as through debt covenants, grantors, contributors, or laws), or are imposed through constitutional provisions or enabling legislation.

Fund Financial Statements

The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The Agency reports all funds as major funds. These funds account for the general administration of the Agency's urban renewal areas and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas.

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Measurement Focus, and Basis of Accounting (Continued)

Fund Financial Statements (Continued)

The Agency reports the following major funds:

Capital Project Funds:

- Clackamas Town Center Development Area Fund - This fund accounts for project related capital outlay and the Public Ways and Facilities Program in the Clackamas Town Center Urban Renewal District. Activities include road network upgrades and capacity improvements.
- Clackamas Industrial Development Area Fund – This fund accounts for project related capital outlay and the Public Ways and Facilities Program in the Clackamas Industrial Area Urban Renewal District.
- North Clackamas Revitalization Area Fund – This fund accounts for project related capital outlay and the Public Ways and Facilities in the North Clackamas Area Urban Renewal District.

Debt Service Funds:

- Clackamas Town Center Tax Increment Fund – This fund accounts for property tax increment revenues for the Clackamas Town Center Urban Renewal District. When debt is outstanding this fund records the payment of principal and interest on long-term indebtedness for the District.
- North Clackamas Revitalization Area Tax Increment Fund – This fund accounts for property tax increment revenues for the North Clackamas Revitalization Area. When debt is outstanding this fund records the payment of principal and interest on long-term indebtedness for the District.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District funds programs by a combination of restricted resources such as grant agreements and property taxes, as well as unrestricted resources (i.e. general revenues). Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply restricted resources to such programs and then unrestricted resources.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Measurement Focus, and Basis of Accounting (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough to pay the liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Capital asset acquisitions are reported as expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are only recorded when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Fund Balances and Net Position

The government-wide *Statement of Net Position*, is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by an external party that provided the resources, by enabling legislation or by the nature of the asset. The *Net investment in capital assets* component of net position represents total capital assets less accumulated depreciation less debt directly related to capital assets. This amount is reported on the Statement of Net Position.

Certain revenues derived from specific taxes or other earmarked revenue sources are considered restricted net position. Such revenues include dedicated property taxes, intergovernmental grants, and charges for services which are legally restricted to finance particular functions or activities. In addition, proceeds from general obligation bonds, revenue bonds, and full faith and credit bonds are restricted to support the specific purpose for which the debt was issued. Net position in these resources is reported as restricted on the *Statement of Net Position* and is recorded in separate funds supporting the specific function or operation.

In the financial statements, assets in excess of liabilities and deferred inflows of resources are presented as either fund balances or net position, depending on the measurement focus used for financial reporting in the fund.

Governmental funds report assets in excess of liabilities as fund balances and will be reported in the classifications that comprise a hierarchy based on the extent that the Agency is bound to honor those constraints on the specific purposes for which amounts in those funds can be spent.

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances and Net Position (Continued)

Fund balance is reported as *Non-spendable* when the resources cannot ever be spent, whether due to legal restrictions (such as a permanent fund) or items not spendable in form such as inventory or interfund loans/receivables.

Fund balance is reported as *Restricted* when the resources have legal externally enforceable restrictions, representing a spending constraint such as grants or contracts, fines and forfeitures, lender requirements, or laws and regulations of other governments.

Fund balance is reported as *Committed* when the Board of County Commissioners passes a resolution, the formal action of the Agency's highest decision-making level of authority, to establish a specific spending constraint on how the resources may be used. The Board can also modify or rescind the resolution through the passage of another formal resolution.

Fund balance is reported as *Assigned* by County policy when the County Administrator and Finance Director or designee assign portions of revenue sources or ending fund balance which are not determined to be non-spendable, restricted or committed by formal written notice. Authority is granted to the individuals by the Board of County Commissioners and such authority may only be established, modified or rescinded by the Board.

When both restricted and unrestricted fund balance is available for use, the purpose for which that is restricted, it is the Agency's policy to use restricted fund balance first, then unrestricted fund balance as needed. When unrestricted fund balance is spent, the Agency will consider that committed amounts will be reduced first, followed by assigned amounts.

Fund balances by classification for the year ended June 30, 2019 were as follows:

	Clackamas Town Center Development Area Fund	Clackamas Industrial Development Area Fund	North Clackamas Revitalization Area Fund	Clackamas Town Center Tax Increment Fund	North Clackamas Revitalization Area Tax Increment Fund	Total
Restricted for:						
Public ways and facilities	\$ 5,989,968	\$ 9,292,116	\$ 1,272,541	\$ -	\$ -	\$ 16,554,625
Debt service reserve	-	-	-	23,543,305	5,149,055	28,692,360
Total fund balances	\$ 5,989,968	\$ 9,292,116	\$ 1,272,541	\$ 23,543,305	\$ 5,149,055	\$ 45,246,985

Use of Estimates

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

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

ORS 294.035 authorizes the Agency to invest in general obligations of the United States and its agencies, debt obligations of the state of Oregon, California, Idaho, and Washington and their political subdivisions, banker's acceptances, corporate indebtedness, commercial paper, repurchase agreements, time certificates of deposit, fixed or variable life insurance contracts, and the State Treasurer's Local Government Investment Pool (LGIP).

Cash and investments comprise funds held and invested by the County Treasurer and the State of Oregon Treasurer's Local Government Investment Pool. Financial information required by Governmental Accounting Standards Board Statements (GASB) No. 3, No. 31, and No. 40 regarding the accounting and financial reporting for the Agency's pooled cash and investments, held by the County Treasurer, has been disclosed in the County's Comprehensive Annual Financial Report for the year ended June 30, 2019.

Property Tax Receivables

Real and personal property taxes are assessed and become a lien against the property as of July 1, each year, and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15, or February 15. Taxes unpaid and outstanding are considered delinquent on May 15. All property taxes receivable are due from property owners within the Agency.

Property Held For Sale

Property held for sale is acquired in connection with urban development projects and is held for resale and also consists of real property acquired for the purpose of sale to other governmental units. All property held for sale is valued at the lower of cost or market.

Capital Assets

Purchased or constructed capital assets, including infrastructure (road network), right of ways and easements are reported at cost or estimated historical cost in the government-wide financial statements. The Agency defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year.

Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for furniture and equipment, real property acquisitions, improvements and infrastructure are recorded as capital outlay. Donated assets are recorded at their acquisition value at the date of donation. Maintenance and repairs of a routine nature are charged to expenses/expenditures as incurred and are not capitalized.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 to 50 years
Road Network	10 to 20 years
Easements	stipulated life of the easements

Deferred Outflows/ Inflows of Resources

In addition to assets, the balance sheet reports a separate section for *deferred outflows of resources*, which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the balance sheet reports a separate section for *deferred inflows of resources*, which represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue – property taxes, are a portion of the District's property taxes that are collected after year-end and meet the recognition in future periods requirement of deferred inflows of resources.

Pension Plan

The Agency's personnel are employees of the County. Substantially all of the County's employees are participants in the Oregon Public Employees Retirement Fund (OPERF), a state-wide agent multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. No pension costs are attributable to the Agency. The Agency is paying for contracted services from the County that includes the amount to cover employee benefits. Since Agency personnel are employees of the County, the Agency has no obligation for related personnel expense accruals not currently reimbursed through the contracted rate.

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is prepared and legally adopted for all funds generally on the modified accrual basis of accounting, except for property taxes and the sale of land held for resale, which are recognized on the cash basis. The budget is adopted by the Board, appropriations made, and the tax levy is declared no later than June 30. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations at the principal object level - materials and services (including contractual payments), capital outlay, debt service, special payments, operating contingency, reserve for future expenditures, and operating transfers - are the levels of control established by the resolution. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories.

The budget is adopted on a modified accrual basis with the exception of the following:

- Property taxes susceptible to accrual are recognized on a cash basis
- Property held for sale is not recognized on a budgetary basis

Management may make transfers of appropriations within object levels. However, transfers of appropriations between object levels require the approval of the governing body. Unexpected additional resources may be added to the budget through the use of a supplemental budget. The Board at a regular Board meeting may adopt supplemental budgets less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control and require approval by the Board. Appropriations lapse as of year-end.

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following:

Cash and cash equivalents with the County Treasurer	\$	517,027
Investments with the County Treasurer		22,000,000
State of Oregon Treasurer's Local Government Investment Pool		23,399,224
	\$	45,916,251

Investments with the County Treasurer represent the Agency's equity in pooled accounts maintained by the County Treasurer. Investments with a remaining maturity of more than one year, at the time of purchase, are stated at fair value, which approximates cost. Fair value is determined by the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. State statutes authorize the Agency to invest in general obligations of the U.S. Government and in its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements and bankers'

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

3. CASH AND INVESTMENTS (Continued)

acceptances, among others. Reference should be made to the June 30, 2019 Comprehensive Annual Financial Report of Clackamas County for compliance with these statutes.

Investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP) are stated at fair value, which approximates cost. The Oregon State Treasury administers the LGIP. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds.

In seeking to best serve local government in Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. The Oregon Short-Term Fund financial statements and its portfolio rules can be obtained at www.ost.state.or.us.

The LGIP is not rated by any national rating service. The LGIP is stated at fair value, which approximates cost. Fair value is the same as the Agency's value in the pool shares.

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

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

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

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

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

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

3. CASH AND INVESTMENTS (Continued)

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

None of the Agency's investments fall into the fair value hierarchy levels, and therefore are not categorized as such.

Interest Rate Risk

The Agency does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, the Agency maintains excess cash in the Local Government Investment Pool.

Custodial Credit Risk

The Agency is exposed to custodial credit risk because its cash and investments are held by the counterparty in the counterparty's name. This is the risk that in the event of failure of the counterparty, the Agency's deposits may not be returned. The Agency's cash and investments are held by Clackamas County in a pool. The pool consists of bank and local government investment pool accounts and federal treasury securities. This pool is subject to general credit claims of the County. The Agency believes that the risk of County default is slight and outweighed by the advantages of participation in the Clackamas County Cash and Investment Pool.

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

Credit Risk

The government has adopted the policies as described in the Oregon Revised Statutes, Chapter 294, as it pertains to credit risk. Oregon Revised Statutes, Chapter 294, authorizes the government to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Local Government Investment Pool, certain high-grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others.

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

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

3. CASH AND INVESTMENTS (Continued)

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

Oregon Revised Statutes limit the types of investments that the Agency may have. The Agency is in compliance with these statutes at June 30, 2019. The Agency is also in compliance with the County's investment policy, which requires the County to limit exposure to credit risk, concentrating its investments in the safest types of securities, diversifying the investment portfolio so that potential losses on individual securities will be minimized, actively monitoring the investment portfolio holdings for ratings changes, changing economic or market conditions, and pre-qualifying the financial institutions with which the County will do business.

4. NOTES AND LOANS RECEIVABLE

Notes and loans receivable at June 30, 2019, including the applicable allowance for uncollectible accounts are as follows:

	Gross Notes and Loans Receivable	Uncollectible Allowance Rate	Uncollectible Allowance	Notes and Loans Receivable, net
Loans receivable:				
Owner-Occupied rehab loans receivable	\$ 765,332	93%	\$ 711,759	\$ 53,573
Homebuyer Assistance Program loans receivable	68,683	65%	44,582	24,101
Rental rehab loans receivable	25,000	0%	-	25,000
Total notes and loans receivable	<u>\$ 859,015</u>		<u>\$ 756,340</u>	<u>\$ 102,675</u>

Loans receivable, net of an allowance, represent uncollected amounts of loans to qualified borrowers for rehabilitation and restoration of single and multi-family residences which are collateralized by real property. The loan loss allowance is comprised of historical evidence of past uncollectible amounts based upon each program offered.

5. PROPERTY HELD FOR SALE

Property held for sale activity for the year ending June 30, 2019, is as follows:

	Beginning Balance July 1, 2018	Increases	Decreases	Ending Balance June 30, 2019
Clackamas Town Center	\$ 1,291,861	\$ -	\$ -	\$ 1,291,861
Clackamas Industrial Area	5,889,789	-	(2,728,998)	3,160,791
	<u>\$ 7,181,650</u>	<u>\$ -</u>	<u>\$(2,728,998)</u>	<u>\$ 4,452,652</u>

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land and rights of way	\$ 32,200,411	62,678	(110,724)	\$ 32,152,365
Construction in progress	3,912,107	2,791,018	(337,851)	6,365,274
Total capital assets not being depreciated	<u>36,112,518</u>	<u>2,853,696</u>	<u>(448,575)</u>	<u>38,517,639</u>
Capital assets being depreciated and amortized:				
Buildings and improvements	27,960,554	-	(796,282)	27,164,272
Road network	29,673,136	613,945	-	30,287,081
Easements	592,633	-	-	592,633
Total capital assets being depreciated and amortized	<u>58,226,323</u>	<u>613,945</u>	<u>(796,282)</u>	<u>58,043,986</u>
Less accumulated depreciation and amortization:				
Buildings and improvements	(13,930,175)	(1,404,249)	359,951	(14,974,473)
Road network	(2,726,728)	(1,492,505)	-	(4,219,233)
Easements	(295,409)	(28,779)	-	(324,188)
Total accumulated depreciation and amortization	<u>(16,952,312)</u>	<u>(2,925,533)</u>	<u>359,951</u>	<u>(19,517,894)</u>
Total capital assets being depreciated and amortized, net	<u>41,274,011</u>	<u>(2,311,588)</u>	<u>(436,331)</u>	<u>38,526,092</u>
Total capital assets, net	<u>\$ 77,386,529</u>	<u>\$ 542,108</u>	<u>\$ (884,906)</u>	<u>\$ 77,043,731</u>

Depreciation expense of \$2,925,533 was charged to public ways and facilities.

7. LONG-TERM DEBT

Bonds Payable

In 2011, the Agency issued \$6,000,000 of urban renewal bonds with an interest rate of 4.40% to finance sewers from the main lines through the trunk lines, laterals, connectors, and on to the hookups to the homes, businesses, and other establishments, including the related road restoration and repaving, and road projects.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

7. LONG-TERM DEBT (Continued)

Bonds payable transactions for the year are as follows:

	<u>Original Amount</u>	<u>Outstanding June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding June 30, 2019</u>
Urban Renewal Bonds, Series					
2011, Interest 4.40%	\$ 6,000,000	\$ 3,680,000	\$ -	\$ (395,000)	\$ 3,285,000
	<u>\$ 6,000,000</u>	<u>\$ 3,680,000</u>	<u>\$ -</u>	<u>\$ (395,000)</u>	3,285,000
Current portion					(410,000)
Non-current portion					<u>\$ 2,875,000</u>

Future maturities of bond principal and interest at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Urban Renewal Bonds Series 2011</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 410,000	\$ 144,540
2021	430,000	126,500
2022	450,000	107,580
2023	465,000	87,780
2024	490,000	67,320
2025-2026	1,040,000	69,080
	<u>3,285,000</u>	<u>\$ 602,800</u>
Less: Current portion	410,000	
Non-current portion	<u>\$ 2,875,000</u>	

8. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to errors and omissions, vehicles, damage to and destruction of assets, and bodily injury, for which the Agency carries commercial insurance. The Agency makes payments to the County's self-insurance internal service funds based on historical cost information estimates of the amounts needed to pay prior year and current year claims, claim reserves, premiums, and administrative costs of the program.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

8. RISK MANAGEMENT (Continued)

All personnel of the Agency are contracted from the County and the County bears all risk of loss. The County is fully self-insured for unemployment benefits and short-term disability benefits. The County is also partially self-insured for medical and dental benefits, workers' compensation and general liability claims. General liability claims are limited by state statute to \$500,000 per occurrence. The County carries coverage in excess of \$1,000,000 with an outside insurer for workers' compensation claims. There have been no significant reductions in insurance coverage from the prior year for any category of risk and settled claims have not reached the level of commercial coverage for any of the past three fiscal years.

9. DUE TO/FROM OTHER FUNDS AND TRANSFERS TO/FROM OTHER FUNDS

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Clackamas Town Center Development Area Fund	\$ 56,920	\$ -
Clackamas Industrial Area Fund	-	56,920
Total Due From / To	<u>\$ 56,920</u>	<u>\$ 56,920</u>

Interfund balances are due to timing differences. Cash is owed to the Clackamas Town Center Development Area Fund for temporary borrowings from Clackamas Industrial Area Fund for materials and services at June 30, 2019. This is a temporary, interest free loan, with a due date of September 3, 2019.

During fiscal year 2019, the following transfers were made:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Clackamas Town Center Development Area Fund	\$ 5,000,000	\$ -
Clackamas Town Center Tax Increment Fund	-	(5,000,000)
North Clackamas Revitalization Area Fund	500,000	-
North Clackamas Revitalization Area Tax Increment Fund	-	(500,000)
Total Transfers	<u>\$ 5,500,000</u>	<u>\$ (5,500,000)</u>

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

9. DUE TO/FROM OTHER FUNDS AND TRANSFERS TO/FROM OTHER FUNDS
(Continued)

Transfers are routinely made for the following purposes:

- To move revenues from which statute or budget requires them to be collected to the fund from which statute or budget requires them to be expended;
- To move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due;
- To move revenues collected from restricted sources to other funds to pay for direct expenses.

10. RELATED-PARTY TRANSACTIONS

Amounts totaling \$726,496 for labor and fringe benefit costs, administrative costs for accounting, occupancy, administration, and other professional services, and property taxes were paid to various County departments. At June 30, 2019, the Agency owed the County \$538,759 for such services. Additionally the Agency owed the County \$4,250,000 for proceeds received on the sale of assets that were jointly owned by the Agency and the County. The Agency received \$74,580 in fees charged to various County departments and component units for services. Internal County department allocate their expenses to all county departments including the Agency. Labor and fringe benefit costs for the Agency are based on actual costs and all other administrative costs are based on historical actual costs and allocated based on a "cost driver."

11. COMMITMENTS

The Agency has commitments under various construction contracts for approximately \$3,467,228 at June 30, 2019.

12. TAX ABATEMENTS

The District has entered into no tax abatement programs. There are two tax abatement programs entered into by another government reducing the District's property tax revenues for the year ended June 30, 2019.

Oregon Enterprise Zone:

The Oregon Enterprise Zone program (E-Zone) is a State of Oregon economic development program established under ORS section 285C.175, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor. The County is the local sponsor for the E-Zone.

The E-Zone allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

12. TAX ABATEMENTS (Continued)

Not-for-Profit Low Income Rental Housing:

In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations (Not-for-Profit Low Income Rental Housing (NPLTE)). Recently the legislature has renewed and extended this program to 2027. The tax exemption is intended to benefit low-income renters by alleviating property tax burden on those agencies that provide this housing opportunity. The qualifying property must be located within the District.

Charitable, nonprofit organizations that provide housing to low-income persons are eligible. Organizations must be certified by the Internal Revenue Service as 501(c)(3) or (4). Organizations must own or have a leasehold interest in the property or participate in a partnership as long as the non-profit organization is responsible for the day-to-day management of the property. Applicants who are leaseholders must have a signed leasehold agreement by the application deadline.

Housing units which are unoccupied at the time of application may be included in the total eligible units if the application meets the following conditions:

- (1) The units will be available exclusively to eligible, very low-income persons;
- (2) The units are intended to be occupied within the year;
- (3) The application must be filled out giving information to the best of your ability regarding how the applicant plans to provide housing to eligible tenants; and
- (4) Vacant land must be held for future development of affordable housing for the very low-income, and must include a development plan in the application.

Vacant land intended to be developed as low-income housing is also eligible for the exemption.

Tax Abatement Program	Taxes Abated during the Fiscal Year 2019
Clackamas County Development Agency:	
E-Zone	\$ 3,665
NPLTE	161
Total	\$ 3,826

SUPPLEMENTARY INFORMATION

MAJOR FUND BUDGETARY SCHEDULES

Capital Projects Funds

Clackamas Town Center Development Area Fund – This fund accounts for the acquisition and rehabilitation of blighted and deteriorated areas within the designated Clackamas Town Center urban renewal area. The primary funding sources are intergovernmental revenues, interest on investments, proceeds from the sales of property, and transfers of revenues from other funds.

Clackamas Industrial Development Area Fund – This fund accounts for the acquisition and rehabilitation of blighted and deteriorated areas within the designated Clackamas Industrial urban renewal area. The primary funding sources are intergovernmental revenues, interest on investments, proceeds from the sales of property, and transfers of revenues from other funds.

North Clackamas Revitalization Area Fund – This fund accounts for the acquisition and rehabilitation of blighted and deteriorated areas within the designated North Clackamas urban renewal area. The primary funding sources are intergovernmental revenues, interest on investments, proceeds from the sales of property, and transfers of revenues from other funds.

Debt Service Funds

Clackamas Town Center Tax Increment Fund – This fund accounts for the payment of principal and interest on long-term indebtedness related to the Clackamas Town Center urban renewal area. The principal source of revenue is interest on investments.

North Clackamas Revitalization Area Tax Increment Fund – This fund accounts for the payment of principal and interest on long-term indebtedness related to the North Clackamas urban renewal area. The principal source of revenue is property taxes and interest on investments.

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
CLACKAMAS TOWN CENTER DEVELOPMENT AREA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 265,000	\$ 265,000	\$ 356,823	\$ 91,823
Interest	10,000	10,000	57,213	47,213
Miscellaneous	-	-	6,421	6,421
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>420,457</u>	<u>145,457</u>
EXPENDITURES:				
Public ways and facilities	10,729,383	10,729,383	3,606,470	7,122,913
Contingency	<u>1,730,028</u>	<u>1,730,028</u>	-	<u>1,730,028</u>
Total expenditures	<u>12,459,411</u>	<u>12,459,411</u>	<u>3,606,470</u>	<u>8,852,941</u>
Revenues over (under) expenditures	<u>(12,184,411)</u>	<u>(12,184,411)</u>	<u>(3,186,013)</u>	<u>8,998,398</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,000,000</u>	<u>(5,000,000)</u>
Total other financing sources (uses)	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,000,000</u>	<u>(5,000,000)</u>
Net change in fund balances	(2,184,411)	(2,184,411)	1,813,987	3,998,398
FUND BALANCES, BEGINNING	<u>2,184,411</u>	<u>2,184,411</u>	<u>2,884,120</u>	<u>699,709</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>4,698,107</u>	<u>\$ 4,698,107</u>
ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):				
Property held for sale			<u>1,291,861</u>	
FUND BALANCES (US GAAP BASIS), ENDING			<u>\$ 5,989,968</u>	

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
CLACKAMAS INDUSTRIAL DEVELOPMENT AREA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 65,000	\$ 65,000	\$ 89,555	\$ 24,555
Interest	5,000	5,000	110,400	105,400
Miscellaneous	-	-	211	211
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>200,166</u>	<u>130,166</u>
EXPENDITURES:				
Public ways and facilities	7,007,463	7,007,463	417,345	6,590,118
Contingency	1,000,000	1,000,000	-	1,000,000
Total expenditures	<u>8,007,463</u>	<u>8,007,463</u>	<u>417,345</u>	<u>7,590,118</u>
Revenues over (under) expenditures	<u>(7,937,463)</u>	<u>(7,937,463)</u>	<u>(217,179)</u>	<u>7,720,284</u>
OTHER FINANCING SOURCES (USES):				
Land sales proceeds	10,000,000	10,000,000	4,695,546	(5,304,454)
Total other financing sources (uses)	<u>10,000,000</u>	<u>10,000,000</u>	<u>4,695,546</u>	<u>(5,304,454)</u>
Net changes in fund balances	2,062,537	2,062,537	4,478,367	2,415,830
FUND BALANCES, BEGINNING	<u>1,473,388</u>	<u>1,473,388</u>	<u>1,652,958</u>	<u>179,570</u>
FUND BALANCES, ENDING	<u>\$ 3,535,925</u>	<u>\$ 3,535,925</u>	6,131,325	<u>\$ 2,595,400</u>
ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):				
Property held for sale			<u>3,160,791</u>	
FUND BALANCES (US GAAP BASIS), ENDING			<u>\$ 9,292,116</u>	

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NORTH CLACKAMAS REVITALIZATION AREA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ 2,500	\$ 2,500	\$ 26,922	\$ 24,422
Miscellaneous	-	-	22,599	22,599
Total revenues	2,500	2,500	49,521	47,021
EXPENDITURES:				
Public ways and facilities	2,548,661	2,548,661	562,193	1,986,468
Special Payments	15,000	15,000	-	15,000
Contingency	1,136,564	1,136,564	-	1,136,564
Total expenditures	3,700,225	3,700,225	562,193	3,138,032
Revenues over (under) expenditures	(3,697,725)	(3,697,725)	(512,672)	3,185,053
OTHER FINANCING SOURCES (USES):				
Transfers in	3,000,000	3,000,000	500,000	(2,500,000)
Total other financing sources (uses)	3,000,000	3,000,000	500,000	(2,500,000)
Net changes in fund balances	(697,725)	(697,725)	(12,672)	685,053
FUND BALANCES, BEGINNING	697,725	697,725	1,182,538	484,813
FUND BALANCES, ENDING	\$ -	\$ -	1,169,866	\$ 1,169,866
ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):				
Notes and loans receivable			102,675	
FUND BALANCES (US GAAP BASIS), ENDING			<u>\$ 1,272,541</u>	

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
CLACKAMAS TOWN CENTER TAX INCREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ 75,000	\$ 75,000	\$ 535,077	\$ 460,077
Total revenues	75,000	75,000	535,077	460,077
EXPENDITURES:				
Contingency	2,000,000	2,000,000	-	2,000,000
Total expenditures	2,000,000	2,000,000	-	2,000,000
Revenues over (under) expenditures	(1,925,000)	(1,925,000)	535,077	2,460,077
OTHER FINANCING SOURCES (USES):				
Transfers out	(9,000,000)	(9,000,000)	(5,000,000)	4,000,000
Total other financing sources (uses)	(9,000,000)	(9,000,000)	(5,000,000)	4,000,000
Net change in fund balances	(10,925,000)	(10,925,000)	(4,464,923)	6,460,077
FUND BALANCE, BEGINNING	27,745,874	27,745,874	28,008,228	262,354
FUND BALANCE, ENDING	<u>\$ 16,820,874</u>	<u>\$ 16,820,874</u>	<u>\$ 23,543,305</u>	<u>\$ 6,722,431</u>

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clakamas County, Oregon)
NORTH CLACKAMAS REVITALIZATION AREA TAX INCREMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 3,022,500	\$ 3,022,500	\$ 3,293,464	\$ 270,964
Interest	5,000	5,000	104,692	99,692
Miscellaneous	-	-	3,626	3,626
Total revenues	<u>3,027,500</u>	<u>3,027,500</u>	<u>3,401,782</u>	<u>374,282</u>
EXPENDITURES:				
Debt service:				
Principal	395,000	395,000	395,000	-
Interest and fiscal charges	161,920	161,920	161,920	-
Contingency	<u>1,959,429</u>	<u>1,959,429</u>	<u>-</u>	<u>1,959,429</u>
Total expenditures	<u>2,516,349</u>	<u>2,516,349</u>	<u>556,920</u>	<u>1,959,429</u>
Revenues over (under) expenditures	<u>511,151</u>	<u>511,151</u>	<u>2,844,862</u>	<u>2,333,711</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(500,000)</u>	<u>2,500,000</u>
Total other financing sources (uses)	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(500,000)</u>	<u>2,500,000</u>
Net change in fund balances	(2,488,849)	(2,488,849)	2,344,862	4,833,711
FUND BALANCE, BEGINNING	<u>2,488,849</u>	<u>2,488,849</u>	<u>2,790,538</u>	<u>301,689</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>5,135,400</u>	<u>\$ 5,135,400</u>
ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):				
Property taxes susceptible to accrual, recognized as revenue on the US GAAP basis			<u>13,655</u>	
FUND BALANCES (US GAAP BASIS), ENDING			<u>\$ 5,149,055</u>	

OTHER FINANCIAL SCHEDULE

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clakamas County, Oregon)
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Year Ended June 30, 2019

Tax Year	Uncollected June 30, 2018	Levy Extended by Assessor	Discounts	Interest	Adjustments	Collections	Uncollected June 30, 2019
2018-19	\$ -	\$ 3,339,968	\$ (87,841)	\$ 1,092	\$ (9,641)	\$ (3,195,040)	\$ 48,538
2017-18	62,984	-	(193)	2,307	(8,349)	(36,842)	19,907
2016-17	29,829	-	(160)	1,809	(7,096)	(14,273)	10,109
2015-16	20,086	-	(161)	1,778	(6,536)	(11,269)	3,898
2014-15	12,497	-	(250)	916	(1,791)	(10,286)	1,086
2013-14 and prior	31,223	-	(6,638)	93	3,556	(25,754)	2,481
	<u>\$ 156,619</u>	<u>\$ 3,339,968</u>	<u>\$ (95,243)</u>	<u>\$ 7,995</u>	<u>\$ (29,857)</u>	<u>\$ (3,293,464)</u>	<u>\$ 86,019</u>

STATISTICAL SECTION

Statistical Section

This part of the Agency's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplemental information says about the Agency's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Agency's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Agency implemented GASB Statement 34 in fiscal year ending 2002 and GASB Statement 44 in fiscal year ending 2006; schedules presenting government-wide information include information beginning in that year.

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CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

Fiscal Year Ended June 30,	Net Investment in Capital Assets	Restricted	Total Governmental Activities Net Position
2010	\$ 112,673,168	\$ 49,663,032	\$ 162,336,200
2011 ⁽¹⁾ (restated)	66,023,114	45,713,741	111,736,855
2012 ⁽²⁾ (restated)	64,934,116	56,136,145	121,070,261
2013	63,344,867	66,189,024	129,533,891
2014	61,305,020	65,376,493	126,681,513
2015	62,915,084	57,580,491	120,495,575
2016	69,085,696	50,046,070	119,131,766
2017	74,609,960	41,850,955	116,460,915
2018	77,386,529	40,208,640	117,595,169
2019	77,449,331	48,526,787	125,976,118

Notes:

(1) Net position was restated by \$46,097,493 for transfers and disposals of capital assets that were not previously recorded.

(2) Net position was restated by \$278,352 for the reclassification of assets to property held for sale and for land and rights of way owned by the Agency but not previously recorded as capital assets.

Source:

Clackamas County Finance Department

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year			
	2010	(Restated) 2011 ⁽¹⁾	(Restated) 2012 ⁽²⁾	2013
Expenses:				
Public ways and facilities	\$ 7,766,476	\$ 18,521,355	\$ 4,819,574	\$ 5,135,196
Interest and fiscal charges	1,496,025	621,057	844,855	530,974
Total Expenses	<u>9,262,501</u>	<u>19,142,412</u>	<u>5,664,429</u>	<u>5,666,170</u>
Program Revenues				
Charges for services	15,575	-	-	84,073
Operating grants and contributions	456,127	126,321	1,015,970	65,110
Total program revenues	<u>471,702</u>	<u>126,321</u>	<u>1,015,970</u>	<u>149,183</u>
Net (Expense)/Revenue	<u>(8,790,799)</u>	<u>(19,016,091)</u>	<u>(4,648,459)</u>	<u>(5,516,987)</u>
General Revenues:				
Property taxes levied for debt service	13,109,932	13,508,355	12,851,079	13,242,827
Earnings on investments	700,625	400,568	344,132	302,819
Gain (loss) on disposition of capital assets	-	-	-	(211,753)
Miscellaneous	593,166	605,316	529,102	625,924
Total general revenues	<u>14,403,723</u>	<u>14,514,239</u>	<u>13,724,313</u>	<u>13,959,817</u>
Commulative effect of correction of error		(46,097,493)	278,352	
Change In Net Position	<u>5,612,924</u>	<u>(4,501,852)</u>	<u>9,075,854</u>	<u>8,442,830</u>
Total Change In Net Position	<u>\$ 5,612,924</u>	<u>\$ (50,599,345)</u>	<u>\$ 9,354,206</u>	<u>\$ 8,442,830</u>

Notes:

(1) Net position was restated by \$46,097,493 for transfers and disposals of capital assets that were not previously recorded

(2) Net position was restated by \$278,352 for the reclassification of assets to property held for sale and for land and rights of way owned by the Agency but not previously recorded as capital

Source:

Clackamas County Finance Department

Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	4,843,852	\$ 11,563,486	\$ 6,042,862	\$ 5,783,100	\$ 3,518,392	\$ 4,932,333
	231,467	217,304	202,483	187,000	170,857	168,667
	5,075,319	11,780,790	6,245,345	5,970,100	3,689,249	5,101,000
	693,417	1,139,716	29,850	-	424,455	446,378
	109,002	23,812	-	-	-	-
	802,419	1,163,528	29,850	-	424,455	446,378
	(4,272,900)	(10,617,262)	(6,215,495)	(5,970,100)	(3,264,794)	(4,654,622)
	867,290	1,942,513	2,320,685	2,736,120	3,077,547	3,222,864
	228,499	269,025	312,338	464,172	541,884	834,304
	-	-	-	-	-	1,966,548
	324,733	2,219,786	2,218,663	98,957	779,617	32,857
	1,420,522	4,431,324	4,851,686	3,299,249	4,399,048	6,056,573
	(2,852,378)	(6,185,938)	(1,363,809)	(2,670,851)	1,134,254	1,401,951
\$	(2,852,378)	\$ (6,185,938)	\$ (1,363,809)	\$ (2,670,851)	\$ 1,134,254	\$ 1,401,951

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	(Restated) 2012	2013
Reserved for land held for sale	\$ 12,370,848	\$ -	\$ -	\$ -
Reserved for interfund loan receivable	335,247	-	-	-
Restricted for public ways and facilities	-	64,042,245	67,781,974	70,807,351
Unreserved, reported in ⁽¹⁾ :				
Capital projects funds	25,294,802	-	-	-
Debt service funds	30,264,271	-	-	-
Total	\$ 68,265,168	\$ 64,042,245	\$ 67,781,974	\$ 70,807,351

Notes:

(1) The Agency is structured such that it reports only Capital Projects and Debt Service funds. No general fund is reported.

Source:

Clackamas County Finance Department

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70,489,723	62,348,008	53,764,837	45,867,915	43,871,575	45,246,985
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 70,489,723</u>	<u>\$ 62,348,008</u>	<u>\$ 53,764,837</u>	<u>\$ 45,867,915</u>	<u>\$ 43,871,575</u>	<u>\$ 45,246,985</u>

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Revenues:				
Property taxes	\$ 13,097,986	\$ 13,519,292	\$ 12,725,803	\$ 13,113,891
Charges for services	-	-	-	65,110
Intergovernmental	859,092	126,321	1,015,970	481,921
Interest	700,625	400,568	344,132	302,819
Land sale proceeds	-	-	-	-
Other revenues	593,166	938,523	873,159	625,924
Total revenues	<u>15,250,869</u>	<u>14,984,704</u>	<u>14,959,064</u>	<u>14,589,665</u>
Expenditures:				
Public ways and facilities				
Materials and services	1,820,040	3,762,568	1,741,820	2,517,919
Capital expenditures for urban renewal	-	-	-	1,534,292
Capital outlay	9,554,312	14,537,673	4,252,673	99,524
Special payments	-	-	-	-
Debt service:				
Principal	5,738,508	5,999,610	6,562,592	6,862,995
Interest	1,138,918	907,776	864,275	549,558
Total expenditures	<u>18,251,778</u>	<u>25,207,627</u>	<u>13,421,360</u>	<u>11,564,288</u>
Excess (deficiency) of revenues over expenditures	<u>(3,000,909)</u>	<u>(10,222,923)</u>	<u>1,537,704</u>	<u>3,025,377</u>
Other financing sources (uses):				
Issuance of debt	-	6,000,000	-	-
Gain/ (Loss) on land held for resale	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (3,000,909)</u>	<u>\$ (4,222,923)</u>	<u>\$ 1,537,704</u>	<u>\$ 3,025,377</u>
Debt service as a percentage of noncapital expenditures	79.1%	64.7%	81.0%	64.7%

Source:
Clackamas County Finance Department

Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	1,656,850	\$ 1,933,455	\$ 2,302,204	\$ 2,723,261	\$ 3,106,085	\$ 3,241,778
	693,417	1,139,716	153,285	412,598	424,455	446,378
	109,002	23,812	-	500,000	-	-
	228,499	269,025	312,338	464,172	541,884	834,304
	205,689	-	-	-	-	-
	119,044	2,219,786	735,465	98,957	779,617	32,857
	<u>3,012,501</u>	<u>5,585,794</u>	<u>3,503,292</u>	<u>4,198,988</u>	<u>4,852,041</u>	<u>4,555,317</u>
	1,304,859	5,764,456	1,222,210	1,181,495	1,078,000	1,031,200
	822,249	3,271,273	274,818	2,925,766	49,903	90,694
	650,201	4,137,821	8,363,910	4,685,282	5,157,840	3,873,241
	-	-	2,475,971	3,427,419	9,218	-
	315,000	330,000	345,000	360,000	375,000	395,000
	237,820	223,960	209,440	194,260	178,420	161,920
	<u>3,330,129</u>	<u>13,727,510</u>	<u>12,891,349</u>	<u>12,774,222</u>	<u>6,848,381</u>	<u>5,552,055</u>
	<u>(317,628)</u>	<u>(8,141,716)</u>	<u>(9,388,057)</u>	<u>(8,575,234)</u>	<u>(1,996,340)</u>	<u>(996,738)</u>
	-	-	-	-	-	-
	-	-	804,886	678,312	-	8,945,546
	-	-	804,886	678,312	-	8,945,546
\$	<u>(317,628)</u>	<u>(8,141,716)</u>	<u>(8,583,171)</u>	<u>(7,896,922)</u>	<u>(1,996,340)</u>	<u>7,948,808</u>
	20.6%	5.8%	12.2%	6.9%	32.7%	33.2%

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Clackamas Town Center Development Area	Government Camp Development Area	North Clackamas Revitalization Area	Total Taxable Assessed Value Before Exempt Property
2010	\$ 637,286,403	\$ -	\$ 475,179,133	\$ 1,112,465,536
2011	723,719,341	-	485,274,293	1,208,993,634
2012	694,098,768	-	503,999,445	1,198,098,213
2013	713,675,190	-	516,819,892	1,230,495,082
2014	-	-	534,489,027	534,489,027
2015	-	-	558,344,837	558,344,837
2016	-	-	587,672,926	587,672,926
2017	-	-	619,338,610	619,338,610
2018	-	-	645,961,693	645,961,693
2019	-	-	674,266,726	674,266,726

Notes:

- (1) A property tax limitation measure became effective in fiscal year 1998. The measure limited taxes on each property by reducing the 1997-98 assessed value of each property to 90% of its 1995-96 value. The measure also limits growth of taxable value to 3% per year with certain exceptions, as well as establishing permanent tax rates for Oregon's local taxing districts, which replace the former tax base amounts of the districts. Because of the tax limitation, taxable assessed value is significantly below true cash value, which is the comparative measure tracked by the County and reported in this schedule.
- (2) Tax rates vary between tax codes and between the urban renewal areas which comprise the Agency for 2003 - 2009. Rates are lowest in the Government Camp Area and higher in the Clackamas Town Center and Industrial Areas.
- (3) The total direct rate is from the Direct and Overlapping Property Tax Rates

Source:

Clackamas County Department of Assessment and Taxation

Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Market Value	Assessed Value as a Percentage of Market Value
\$ 104,379,693	\$ 1,008,085,843	0.84	\$ 1,765,617,801	57.10 %
103,994,405	1,104,999,229	0.85	1,364,126,347	81.00
140,529,045	1,057,569,168	0.80	1,417,412,597	74.61
144,900,842	1,085,594,240	0.79	1,396,001,589	77.76
16,818,635	517,670,392	0.11	627,214,181	82.53
18,894,028	539,450,809	0.12	687,680,813	78.44
20,345,877	567,327,049	0.12	785,056,834	72.27
22,137,590	597,201,020	0.15	907,616,996	65.80
23,273,333	622,688,360	0.16	1,014,575,740	61.37
25,203,668	649,063,058	0.16	1,132,004,713	57.34

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
DIRECT AND OVERLAPPING PROPERTY TAX RATES⁽¹⁾
LAST TEN FISCAL YEARS
(Rate per \$1,000 of Assessed Valuation)

Year	Development Agency				Overlapping Rates								Total Direct & Overlapping
	General Operations	Special Revenue	Debt Service	Total Direct Rate	Clackamas County	County Component Units	Cities	Schools	College/ESD	Fire	Other Special		
2010	\$ -	\$ -	\$ 0.84	\$ 0.84	\$ 3.11	\$ 1.61	\$ -	\$ 6.51	\$ 1.08	\$ 2.37	\$ 0.66	\$ 16.18	
2011	-	-	0.85	0.85	3.11	1.61	-	6.58	1.06	2.36	0.62	16.19	
2012	-	-	0.80	0.80	3.12	1.61	-	7.22	1.04	2.36	0.51	16.66	
2013	-	-	0.79	0.79	3.11	1.61	-	6.78	1.06	2.36	0.55	16.26	
2014 ⁽³⁾	-	-	0.11	0.11	2.97	1.31	2.19	7.03	1.07	2.09	0.77	17.53	
2015	-	-	0.12	0.12	2.97	1.31	2.24	6.75	1.07	2.09	0.75	17.30	
2016	-	-	0.12	0.12	2.96	1.31	2.22	7.16	1.11	2.12	0.68	17.70	
2017	-	-	0.15	0.15	2.96	1.30	2.32	7.15	1.11	2.12	0.69	17.80	
2018	-	-	0.16	0.16	2.96	1.30	2.34	7.13	1.11	2.13	0.81	17.93	
2019	-	-	0.16	0.16	2.96	1.30	2.33	7.15	1.10	2.11	0.87	17.98	

Notes:

- (1) Overlapping rates are those of local governments that apply to property owners within Agency geographical boundaries. Not all overlapping rates apply to all property owners. Rates shown are those charged to the majority of the taxpayers within the district and are stated in dollars and cents.
- (2) Property tax levies may only be approved by a majority vote in elections in which a majority of voters cast a ballot. In November elections in even numbered years, a majority vote in favor of a tax levy is sufficient to enact a levy, regardless of voter turnout.
- (3) The urban renewal levy within the Clackamas Town Center was terminated in June 2013, adding assessed value back to the tax rolls.

Source:

Clackamas County Department of Assessment and Taxation

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
PRINCIPAL PROPERTY TAX PAYERS
JUNE 30, 2019 AND NINE YEARS AGO

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Fred Meyer Stores Incorporated	\$ 32,220,205	1	4.78 %	\$ 24,428,018	3	2.42 %
ROIC Oregon LLC	21,808,935	2	3.23			
Clackamas Court-270 LLC	18,874,990	3	2.80			
Sterling Rlty Orgnztion Co	17,564,002	4	2.60			
Portland General Electric	16,505,000	5	2.45			
WPC Crosswhite LLC	13,221,276	6	1.96			
PCC Structurals, Inc.	13,034,770	7	1.93			
Livcor Property Tax	12,302,230	8	1.82			
Portland Paving Co Inc	11,202,185	9	1.66			
Mayes William E Trustee	9,566,920	10	1.42			
Comcast Corporation				52,582,200	1	5.22
CH Realty III/Clackamas LLC				40,974,802	2	4.06
General Growth Properties Inc.				21,641,668	4	2.15
Maxim Real Estate Investment LLC				19,966,309	5	1.98
EMC4 LLC				17,693,364	6	1.76
Costco Wholesale Corp				16,350,983	7	1.62
Cooper Mountain Trust Co.				16,146,479	8	1.60
Overlook Causey LP				14,915,040	9	1.48
Clark & White LLC				14,629,564	10	1.45
Total	<u>\$ 166,300,513</u>		<u>24.66 %</u>	<u>\$ 239,328,427</u>		<u>23.74 %</u>

Source:
Clackamas County Department of Assessment and Taxation

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
PROPERTY TAX LEVIES AND COLLECTIONS ⁽¹⁾
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 13,552,689	\$ 12,692,945	93.66 %	\$ 409,699	\$ 13,102,644	96.68 %
2011	13,941,942	13,046,454	93.58	325,949	13,372,403	95.91
2012	13,124,714	12,330,904	93.95	209,609	12,540,513	95.55
2013	13,581,806	12,803,001	94.27	35,561	12,838,562	94.53
2014 ⁽²⁾	1,696,068	1,607,597	94.78	33,324	1,640,921	96.75
2015	1,989,738	1,889,474	94.96	33,375	1,922,849	96.64
2016	2,377,317	2,260,795	95.10	32,311	2,293,106	96.46
2017	2,808,232	2,676,460	95.31	23,144	2,699,604	96.13
2018	3,163,666	3,012,293	95.22	2,307	3,014,600	95.29
2019	3,339,968	3,193,948	95.63	-	3,193,948	95.63

Notes:

(1) Clackamas Industrial Area and portions of Clackamas Town Center urban renewal areas were returned to regular tax roles during 2007.

(2) The urban renewal levy within the Clackamas Town Center was terminated in June 2013, adding assessed value back to the tax rolls.

Source:

Clackamas County Department of Assessment and Taxation

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County Oregon)
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS**

Fiscal Year	Urban Renewal Bonds	Contract Payable	Percentage of Personal Income	Per Capita	Percentage of Taxable Assessed Value of Property
2010	\$ 18,830,197	\$ -	2.65 %	1,125 %	1.87 %
2011	18,830,587	-	2.30	1,024	1.70
2012	12,267,995	-	1.36	640	1.16
2013	5,405,000	-	0.62	290	0.50
2014	5,090,000	-	0.56	271	0.98
2015	4,760,000	-	0.50	250	0.88
2016	4,415,000	-	0.44	225	0.78
2017	4,055,000	-	0.36	201	0.68
2018	3,680,000	-	N/A	177	0.59
2019	3,285,000	-	N/A	153	0.51

Notes:

Details regarding the Agency's outstanding debt can be found in the notes to the basic financial statements.

See pages 46 & 47 for property value data.

See page 53 for population data.

N/A - Not available

Sources:

Clackamas County Department of Assessment and Taxation
Department of Human Resources, State of Oregon, Employment Division

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County Oregon)
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Clackamas County	\$ 129,945,000	0.7729 %	\$ 1,007,344
Clackamas County Rural Fire Protection District #1	29,447,277	1.6916	498,180
Clackamas County School District #12 (North Clackamas)	694,062,196	2.6518	18,404,141
Clackamas Community College	93,763,913	1.0502	983,709
Mt Hood Community College	20,660,000	0.0009	186
Metro	819,020,000	0.1831	1,498,626
Clackamas County Education Service District	20,970,000	0.8107	170,004
Clackamas County School District #46 (Oregon Trail)	87,695,487	0.0082	7,191
Clackamas Soil & Water Conservation	6,815,000	0.7729	52,673
Other debt:			
North Clackamas Parks and Recreation District	3,640,000	2.6207	95,393
Clackamas County Rural Fire Protection District #1	15,020,000	1.6916	254,028
Clackamas County School District #12 (North Clackamas)	2,417,414	2.6518	64,105
Clackamas Community College	24,110,000	1.0502	253,203
Port of Portland	58,452,781	0.1690	98,785
Metro	16,985,000	0.1831	31,099
Mt. Hood Community College	33,159,068	0.0009	298
Subtotal overlapping debt			23,418,965
Agency direct debt			<u>3,285,000</u>
Total direct and overlapping debt			<u>\$ 26,703,965</u>

Note:

(1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Agency. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Agency. The State of Oregon provides overlapping debt data based on real market valuation of properties for each jurisdiction.

Source:

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

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County Oregon)
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit *	\$ 273,321,300	\$ 273,321,300	\$ 273,321,300	\$ 273,321,300
Total net debt applicable to limit	<u>24,568,705</u>	<u>18,830,587</u>	<u>12,267,995</u>	<u>5,405,000</u>
Legal debt margin	<u>\$ 248,752,595</u>	<u>\$ 254,490,713</u>	<u>\$ 261,053,305</u>	<u>\$ 267,916,300</u>
Total net debt applicable to the limit as a percentage of debt limit	8.99%	6.89%	4.49%	1.98%

Note:

ORS 457.190 notes for urban renewal plans that maximum indebtedness "shall be based upon good faith estimates of the scope and costs of projects" and specified in plan documents.

* The limit is calculated as the maximum debt the Agency can incur as outlined in its approved budget document.

Source:

Clackamas County Finance Department

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 87,000,000	\$ 87,000,000	\$ 87,000,000	\$ 87,000,000	\$ 87,000,000	\$ 87,000,000
<u>5,090,000</u>	<u>4,760,000</u>	<u>4,415,000</u>	<u>4,055,000</u>	<u>3,680,000</u>	<u>3,285,000</u>
<u>\$ 81,910,000</u>	<u>\$ 82,240,000</u>	<u>\$ 82,585,000</u>	<u>\$ 82,945,000</u>	<u>\$ 83,320,000</u>	<u>\$ 83,715,000</u>
5.85%	5.47%	5.07%	4.66%	4.23%	3.78%

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	Population	Personal Income	Per Capita Personal Income (1)	Clackamas County Unemployment Rate (2)
2010	16,743	\$ 710,773,836	\$ 42,452	10.4 %
2011	18,384	817,720,320	44,480	9.4
2012	19,181	903,616,910	47,110	8.4
2013	18,633	876,738,549	47,053	7.7
2014	18,778	914,732,714	48,713	6.6
2015	19,025	942,974,125	49,565	5.6
2016	19,594	1,006,720,126	51,379	4.7
2017	20,181	1,135,544,508	56,268	3.9
2018	20,787	N/A	N/A	3.7
2019	21,411	N/A	N/A	3.9

Notes:

(1) Figures are for calendar year for Clackamas County from Bureau of Economic Analysis-U.S. Dept of Commerce.

(2) This number has been updated to reflect rates specific to Clackamas County per the State of Oregon Employment Department.

N/A - Not available.

Sources:

Department of Human Resources, State of Oregon Employment Department
Population for 2010-2015 from Claritas, Inc. Site Report, based on 2000 census and projections thereafter.
Population 2016 estimate based on a 3% increase as estimated by the Portland State University
Office of Metropolitan Studies.
Bureau of Economic Analysis, U.S. Department of Commerce
U.S. Department of Labor, Bureau of Labor Statistics

**CLACKAMAS COUNTY, OREGON
PRINCIPAL EMPLOYERS ⁽¹⁾
JUNE 30, 2019 AND NINE YEARS AGO**

Employer	2019			2010		
	Employees	Rank	Percentage of Total ⁽²⁾	Employees	Rank	Percentage of Total ⁽²⁾
Intel Corp.	20,000	1	.02 %	15,141	1	.01 %
Providence Health & Services	18,286	2	.01	13,825	2	.01
Oregon Health & Sciences University	16,658	3	.01	12,700	3	.01
Kaiser Permanente	12,400	4	.01	8,759	5	.01
Nike Inc.	12,000	5	.01	7,000	7	.01
Legacy Health	11,250	6	.01	8,251	6	.01
City of Portland	9,710	7	.01	6,900	8	.01
Fred Meyer	7,741	8	.01	9,630	4	.01
Portland Public Schools	7,600	9	.01			
Beaverton School District	5,457	10	.00			
Multnomah County				6,659	9	.01
Wells Fargo Bank				5,010	10	.00
Total	121,102		0.10 %	93,875		0.09 %

Sources:

(1) Statistics are the latest available data published in the Portland Business Journal *Book of Lists 2019*, and *Book of Lists 2010*.
The Business Journal Book of Lists ranks Portland Metropolitan Area employers.

(2) Total Portland Metropolitan Area employment used to calculate percentages is from the United States Department of Labor Bureau of Labor Statistics.

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30,</u>	<u>Function Highways & Streets</u>
2010	6.50
2011	5.00
2012	5.00
2013	5.00
2014	5.00
2015	5.00
2016	5.00
2017	5.00
2018	4.50
2019	4.00

Source:
Clackamas County Finance Department

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A Component Unit of Clackamas County, Oregon)
OPERATING INDICATORS
LAST TEN FISCAL YEARS

	2010	2011	2012	2013
Assessed value Clackamas Town Center Development	\$ 546,838,520	\$ 619,724,936	\$ 569,477,562	\$ 583,768,166
Change from prior year	14,009,174	72,886,416	(50,247,374)	14,290,604
Percentage change	2.63 %	13.33 %	(8.11) %	2.51 %
Assessed value Government Camp Development Area	-	-	-	-
Change from prior year	N/A	N/A	N/A	N/A
Percentage change	N/A %	N/A %	N/A %	N/A %
Assessed value North Clackamas Revitalization Area ⁽²⁾	\$ 461,247,323	\$ 485,274,293	\$ 488,091,606	\$ 501,826,074
Change from prior year	16,250,577	24,026,970	2,817,313	13,734,468
Percentage change	3.65 %	5.21 %	0.58 %	2.81 %
Assessed value all areas	\$ 1,008,085,843	\$ 1,104,999,229	\$ 1,057,569,168	\$ 1,085,594,240
Change from prior year	(129,353,032)	96,913,386	(47,430,061)	28,025,072
Percentage change	(11.37) %	9.61 %	(4.29) %	2.65 %

Notes:

(1) Increased incremental assessed value due to project development and implementation, capital construction, and property development and redevelopment is a typical measure for an Urban Renewal District. As an urban renewal area nears plan termination, assessed value is returned to overlapping taxing districts. The Clackamas Town Center returned assessed values to regular tax roles during 2007 and the Clackamas Industrial Area ceased tax collection. Growth reported for these areas in prior years has been passed on to overlapping districts.

(2) Board of County Commissioners approved creation of the North Clackamas Revitalization Area at their May 25, 2006 meeting.

N/A - Not available

Source:

Clackamas County Department of Assessment and Taxation

2014		2015		2016		2017		2018		2019	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	N/A		N/A		N/A		N/A		N/A		N/A
	N/A %		N/A %		N/A %		N/A %		N/A %		N/A %
	-		-		-		-		-		-
	N/A		N/A		N/A		N/A		N/A		N/A
	N/A %		N/A %		N/A %		N/A %		N/A %		N/A %
\$	517,670,392	\$	539,450,809	\$	587,672,926	\$	619,338,610	\$	645,961,693	\$	674,266,726
	15,844,318		21,780,417		48,222,117		31,665,684		26,623,083		28,305,033
	3.16 %		4.21 %		8.94 %		5.39 %		4.30 %		4.38 %
\$	517,670,392	\$	539,450,809	\$	587,672,926	\$	619,338,610	\$	645,961,693	\$	674,266,726
	(567,923,848)		21,780,417		48,222,117		31,665,684		26,623,083		28,305,033
	(52.31) %		4.21 %		8.94 %		5.39 %		4.30 %		4.38 %

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

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

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Development Agency
Oregon City, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Clackamas County Development Agency (the Agency), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Agency's Response to the Finding

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Moss Adams, LLP

Eugene, Oregon
December 26, 2019

**CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CLACKAMAS COUNTY, OREGON)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

FINDING RELATED TO FINANCIAL STATEMENTS WHICH IS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2019-001—Voided Property Transaction, Significant Deficiency in Internal Controls

Criteria – Cash balances should be clearly presented in the financial statements, and properly reflect all cash and cash items on hand, in transit, or on deposit with third parties. Cash balances should also reflect a proper cutoff of receipts and disbursements.

Condition – An ongoing Agency project purchased and paid for a right-of-way on June 5, 2019. Subsequent to current fiscal year-end, the check payment for the right-of-way was voided on July 10, 2019. In our cash auditing procedures, we noted the Agency’s accounting for the voided transaction was not reflected in its fiscal year-end financial statements as of and for the year ended June 30, 2019. The voided checked payment occurred soon enough after fiscal year-end that the Agency should have reversed its accounting to reflect the events of the entire transaction.

Context – The Agency’s capital assets reported increases of approximately \$3.5M during the current fiscal year, and the amount of this overstatement was \$405,600.

Effect – The Agency’s governmental activities understated cash and overstated capital assets by \$405,600. The Agency’s governmental funds understated cash and overstated capital outlay expenditures by \$405,600. The Agency recorded adjustments to correct the misstatements.

Cause – Financial close and reporting controls were insufficient to identify actions taken subsequent to year-end, in this case a voided check that cancelled a capital asset acquisition, that should be reflected in the current year financial statements.

Recommendation – We recommend the Agency’s financial close and reporting controls include a review of actions taken and events that have occurred subsequent to the fiscal year-end, including voided checks, for those requiring an adjustment to balances and transactions that should be reflected in the current year financial statements and or disclosed in the notes to financial statements.

Response – The County Finance Department acting on behalf of the Agency will add a review of checks voided subsequent to year end to its book closing procedures. Additionally Finance will review its procedures on checks issued and returned to departments for disbursement to minimize the time between when a check is written and when it is sent or delivered to the payee.

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

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

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Development Agency
Oregon City, Oregon

We have audited the basic financial statements of the Clackamas County Development Agency (the Agency) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 26, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved 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 year 2019 and 2020.
- 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.

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be significant deficiency.

Purpose of this Report

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



for Moss Adams LLP
Eugene, Oregon
December 26, 2019