

# **Clackamas County Enhanced Law Enforcement District**

---

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



## **Report of Independent Auditors and Financial Statements with Supplementary Information**

---

**For The Fiscal Year Ended June 30, 2015**

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**

Report of Independent Auditors and  
Financial Statements with  
Supplementary Information

For the Fiscal Year Ended June 30, 2015

Prepared by:  
Clackamas County Enhanced Law Enforcement District  
Department of Finance  
Marc S. Gonzales, Director of Finance  
Christa Bosserman Wolfe, CPA, Assistant Director of Finance  
David Bodway, Finance Manager

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT  
(A Component Unit of Clackamas County, Oregon)**

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

Public Services Building  
2051 Kaen Road  
Oregon City, Oregon 97045

**COMMISSIONERS AS OF JUNE 30, 2015**

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

**ADMINISTRATIVE OFFICES**

Sheriff Office  
9101 SE Sunnybrook Blvd.  
Clackamas, Oregon 97015

**LEGAL COUNSEL AND REGISTERED AGENT**

Stephen Madkour  
2051 Kaen Road  
Oregon City, Oregon 97045

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT  
(A Component Unit of Clackamas County, Oregon)**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>REPORT OF INDEPENDENT AUDITORS .....</b>	<b>1</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-wide Financials:	
Statement of Net Position.....	8
Statement of Activities .....	9
Fund Financials:	
Balance Sheet Governmental Fund .....	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	11
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual .....	14
Notes to the Basic Financial Statements.....	15
<b>SUPPLEMENTARY INFORMATION:</b>	
Other Financial Schedule:	
Schedule of Property Tax Transactions and Outstanding Balances .....	22
<b>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 .....</b>	<b>23</b>
<b>REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON MINIMUM AUDITING STANDARDS .....</b>	<b>26</b>

**REPORT OF INDEPENDENT AUDITORS**

## REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Clackamas County Enhanced Law Enforcement District  
Oregon City, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the Clackamas County Enhanced Law Enforcement District (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2015, and the related notes and financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express 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.

## MOSS ADAMS<sub>LLP</sub>

### *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 the major fund of the District as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the year then ended in conformity 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 7 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of property tax transactions and outstanding balances (the schedule), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 6, 2015, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, reading "James C. Lazzarotto".

for Moss Adams LLP  
Eugene, Oregon  
October 6, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

This discussion and analysis of the Clackamas County Enhanced Law Enforcement District offers readers a narrative overview of financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying basic financial statements and the Notes to the Basic Financial Statements.

**FINANCIAL HIGHLIGHTS**

- Assets of the District exceeded liabilities at the close of the fiscal year by \$595,271. All of this amount, \$595,271, may be used to meet ongoing obligations.
- Net Position district-wide increased by \$154,412. Public safety property taxes levied for operations and other revenues exceeded expenditures by this amount.
- The governmental fund reported an ending fund balance of \$394,052, an increase of \$168,391 from prior year. Please see page 13 of the basic financial statements which reconciles the decrease in fund balance to the change in Net Position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities provide government-wide information for the District. These statements include all assets and liabilities of the District 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 District-wide Net Position and change from 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.

Following the government-wide financial statements are governmental fund financial statements. These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the District-wide statements explains the differences in the two methods of reporting.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, Net Position of the District increased from prior year. The increase arises in the excess of revenues over expenditures in the Statement of Activities and flows to the Statement of Net Position.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Statement of Net Position**

A condensed version of the Statement of Net Position for fiscal years ended June 30, 2015 and 2014 follows.

	2015	2014
<b>Assets:</b>		
Current assets	\$1,954,983	\$1,506,520
Capital assets, net of accumulated depreciation	1,416,435	1,449,750
<b>Total assets</b>	<b>3,371,418</b>	<b>2,956,270</b>
<b>Liabilities:</b>		
Current liabilities	1,431,147	1,075,411
Noncurrent liabilities	1,345,000	1,440,000
<b>Total liabilities</b>	<b>2,776,147</b>	<b>2,515,411</b>
<b>Net position:</b>		
Net invested in capital assets	(113,565)	(80,250)
Restricted for law enforcement	708,836	521,109
<b>Total net position</b>	<b>\$595,271</b>	<b>\$440,859</b>

Current assets increased \$448,463, from prior year due to an increase in cash and investments used for public safety expenditures. Capital assets decreased \$33,315, due to current year depreciation expense. Please see the Capital Asset discussion below. Current liabilities increased \$355,736, chiefly due to timing of year end payments to Clackamas County. Change in Net Position is discussed in the financial highlights section.

**Statement of Activities**

Total general revenues increased \$186,168 over prior year, with an increase of \$195,667 in property taxes. Continued growth in assessments has resulted in part from expansion of the Sunnyside Road area. An increase in Net Position of \$154,412 is reported for 2015, which is more than the increase reported in the prior year. Expenses increased by \$135,100 due to shifting of certain costs between the Enhanced Law Enforcement District and the Public Safety Local Option Levy.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

	2015	2014
<b>General revenues:</b>		
Property taxes levied for operations	\$6,114,874	\$5,919,207
Earnings on investments	(1,381)	9,122
Other	1,454	-
	<hr/>	<hr/>
<b>Total general revenues</b>	6,114,947	5,928,329
<b>Governmental expenses:</b>		
Public safety	5,960,535	5,825,435
	<hr/>	<hr/>
<b>Change in net position</b>	154,412	102,894
<b>Net position, beginning of year</b>	<hr/> 440,859	<hr/> 337,965
<b>Net position, end of year</b>	<hr/> <hr/> \$595,271	<hr/> <hr/> \$440,859

**FUND AND BUDGETARY ANALYSIS**

The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance are presented for the governmental fund. The fund balance in the governmental fund increased \$168,391 during the year. Compared to budget, a positive variance of \$41,011 is reported for total revenues, primarily due to higher property tax revenue collections than projected. Expenditures were under budget by \$307,204.

**CAPITAL ASSET AND DEBT ANALYSIS**

As of June 30, 2015, the District had invested \$1,416,435 in capital assets, net of depreciation. There were no new investments in capital assets during the year. The decrease in capital assets reported in the Statement of Net Position is due to \$33,315 in depreciation. Please see Notes 1 and 4 to the basic financial statements relating to capital asset policy and detailed capital asset activity.

As of year-end, the District reports \$1,535,000 in long-term debt outstanding for the Law Enforcement Facilities Building (North Station). A schedule of future maturities is presented in the Note 5 to the Notes to Basic Financial Statements.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**ECONOMIC FACTORS**

Property taxes are the chief revenue source for the District. Approximately 99.9 percent of total revenues for the year ended June 30, 2015 were property tax revenues. The 1997 property tax limitation rolled back assessed values to 90 percent of 1995-96 levels, established permanent tax rates and limited assessed value growth for individual properties to 3 percent per year. Certain taxes, such as those to pay bonded debt, were exempted from Measure 50 reductions.

**FINANCIAL CONTACT**

The financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the District's finances and to demonstrate 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**

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,587,761
Property taxes receivable	367,222
Capital assets not being depreciated:	
Land	1,000,000
Capital assets, net of accumulated depreciation:	
Buildings	<u>416,435</u>
<b>TOTAL ASSETS</b>	<u>3,371,418</u>
<b>LIABILITIES</b>	
Due to Clackamas County	1,195,269
Accrued interest payable	50,878
Noncurrent liabilities:	
Due within one year	185,000
Due in more than one year	<u>1,345,000</u>
<b>TOTAL LIABILITIES</b>	<u>2,776,147</u>
<b>NET POSITION</b>	
Net investment in capital assets	(113,565)
Restricted for law enforcement	<u>708,836</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 595,271</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**ACTIVITIES**

**GOVERNMENTAL:**

Expenses:

Public safety	<u>\$ 5,960,535</u>
---------------	---------------------

**GENERAL REVENUES:**

Property taxes levied for operations	6,114,874
--------------------------------------	-----------

Earnings on investments	(1,381)
-------------------------	---------

Miscellaneous	<u>1,454</u>
---------------	--------------

<b>TOTAL GENERAL REVENUES</b>	<u><b>6,114,947</b></u>
-------------------------------	-------------------------

<b>CHANGE IN NET POSITION</b>	154,412
-------------------------------	---------

<b>NET POSITION, June 30, 2014</b>	<u>440,859</u>
------------------------------------	----------------

<b>NET POSITION, June 30, 2015</b>	<u><u><b>\$ 595,271</b></u></u>
------------------------------------	---------------------------------

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2015**

**ASSETS:**

Cash and cash equivalents	\$ 1,587,761
Property taxes receivable	<u>367,222</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,954,983</u></u></b>

**LIABILITIES:**

Due to Clackamas County	\$ 1,195,269
Accrued interest payable	<u>44,277</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,239,546</u></b>

**DEFERRED INFLOWS OF RESOURCES:**

Unavailable revenue - property taxes	<u>321,385</u>
--------------------------------------	----------------

<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>321,385</u></b>
--	-----------------------

**FUND BALANCE:**

Restricted	<u>394,052</u>
------------	----------------

<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:</b>	<b><u><u>\$ 1,954,983</u></u></b>
---	-----------------------------------

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE**  
**SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

<b>TOTAL FUND BALANCE</b>	<b>\$ 394,052</b>
Total net position in the Statement of Net Position is different because:	
Capital assets, net of depreciation of \$2,153,565, are not financial resources and therefore are not reported in the governmental fund.	1,416,435
Contracts payable that are not payable from current resources are not reported as governmental fund liabilities.	(1,530,000)
Interest on contracts payable over the next six months is not accrued in the governmental fund, but rather is recognized as an expense when it is due.	(6,601)
A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current year's operations and therefore are not reported as revenue in the governmental fund.	<u>321,385</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$ 595,271</u></u></b>

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**REVENUES:**

Property taxes	\$ 6,095,950
Interest	(1,381)
Miscellaneous	<u>1,454</u>

**TOTAL REVENUES**

6,096,023

**EXPENDITURES:**

Materials and services	5,839,077
Debt Service:	
Principal	-
Interest	<u>88,555</u>

**TOTAL EXPENDITURES**

5,927,632

**EXCESS OF REVENUES OVER EXPENDITURES  
AND NET CHANGE IN FUND BALANCE**

168,391

**FUND BALANCE, June 30, 2014**

225,661

**FUND BALANCE, June 30, 2015**

\$ 394,052

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 168,391</b>
The change in net position reported in the Statement of Activities is different because:	
Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized. Their value is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(33,315)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned.	
	18,924
Interest expense is accrued on long-term debt, whereas in the governmental fund, it is recorded as an interest expenditure when due.	
	<u>412</u>
<b>CHANGE IN NET POSITION</b>	<b><u><u>\$ 154,412</u></u></b>

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Property taxes	\$ 6,072,650	\$ 6,072,650	\$ 6,118,588	\$ 45,938
Miscellaneous	-	-	1,454	1,454
Interest	5,000	5,000	(1,381)	(6,381)
<b>TOTAL REVENUES</b>	<u>6,077,650</u>	<u>6,077,650</u>	<u>6,118,661</u>	<u>41,011</u>
<b>EXPENDITURES:</b>				
Materials and services	5,899,095	6,056,281	5,839,077	217,204
Debt service*	178,555	178,555	88,555	90,000
<b>TOTAL EXPENDITURES</b>	<u>6,077,650</u>	<u>6,234,836</u>	<u>5,927,632</u>	<u>307,204</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	-	(157,186)	191,029	348,215
<b>FUND BALANCE, June 30, 2014</b>	-	157,186	157,186	-
<b>FUND BALANCE, June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	348,215	<u>\$ 348,215</u>
<b>ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):</b>				
Property taxes susceptible to accrual, recognized as revenue on the US GAAP basis			<u>45,837</u>	
<b>FUND BALANCE (US GAAP BASIS), June 30, 2015</b>			<u>\$ 394,052</u>	

\*Appropriated as materials and services

The notes to the basic financial statements are an integral part of this statement.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The District**

The Clackamas County Enhanced Law Enforcement District (the District), a component unit of Clackamas County, Oregon (the County), was formed under the provisions of Oregon Revised Statutes Chapter 451, "County Service Facilities". The District has no potential component units. As provided by ORS 451.485 the Clackamas County Board of Commissioners (the Board) is the governing body of the District. The District's purpose is to provide additional patrol services beyond that provided by the Clackamas County Sheriff's Department to residents within the District. 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 District, the District is included in the financial statements of the County.

**Basis of Presentation, Basis of Accounting**

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District, including all of its financial activities. Governmental activities are financed primarily through general revenue, primarily property taxes.

The Statement of Activities presents direct expenses for the District's program. The District has no program revenues. Direct expenses are those that are specifically associated with the program and, therefore, are clearly identifiable to that program.

**Fund Financial Statements**

The fund financial statements provide information about the District's only fund.

**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 at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental fund to be available if they are collected within sixty days after year-end. Interest and property tax are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on the contract payable and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental fund and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation, Basis of Accounting (Continued)**

**Fund Balances and Net Position**

On the government-wide *Statement of Net Position*, 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 assets. Such revenues include dedicated property taxes, state gas tax, intergovernmental grants, and charges for services which are legally restricted to finance particular functions or activities. Net position in these resources is reported as restricted on the *Statement of Net Position* and is recorded in the general fund supporting the specific function or operation.

In the financial statements, assets in excess of liabilities 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 and deferred inflows of resources as fund balances and will be reported in the classifications that comprise a hierarchy based on the extent that the District is bound to honor those constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as *Non-spendable* when the resources cannot ever be spent, whether due to legal restrictions (such as corpus) or items not spendable in form such as inventory balances, and 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, Oregon Revised Statutes, or Federal Regulations.

Fund balance is reported as *Committed* when the Board of County Commissioners passes a resolution to establish a specific spending constraint on the resources may be used. The Board can also modify or rescind the resolution through the passage of the same type of formal action employed to previously commit those amounts.

Fund balance is reported as *Assigned* 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.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation, Basis of Accounting (Continued)**

**Fund Balances and Net Position (Continued)**

Fund balance is reported as *Unassigned* when resources are not otherwise reported as non-spendable, restricted, committed, or assigned.

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

The property taxes collected by the fund are legally restricted by special tax levy Measure 3-36, passed by the voters in November 1994, for the purpose of providing enhanced law enforcement services within Clackamas County. Therefore, all accumulated fund balance is restricted.

**Cash and Cash Equivalents**

The District considers investments with maturities of three months or less when purchased to be cash equivalents.

The District's 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 No. 3, No. 31 and No. 40 regarding the accounting and financial reporting for the District'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, 2015.

**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. All property taxes receivable are due from property owners within the District.

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost in the government-wide financial statements. The District 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 fair market value at the date of donation. Maintenance and repairs of a routine nature are charged to expenses/expenditures as incurred and are not capitalized. Interest incurred during construction is not capitalized.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**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
Equipment	5 to 15 years

**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.

**Budget**

A budget is prepared and legally adopted for the fund on the modified accrual basis of accounting, except for property taxes which are recognized on the cash basis. The budget is adopted, appropriations made, and the tax levy is declared no later than June 30<sup>th</sup> for the next fiscal year. The resolution authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. Appropriations, which are set at the principal object level, consisting of materials and services (including contractual payments), capital outlay, and contingency 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. 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 with approval by the Board. The Board made no appropriation transfers, adopted one supplemental budget during the year. Appropriations lapse as of year-end.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**2. RISK MANAGEMENT**

The District is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; and bodily injury for which the District carries commercial insurance. The District participates in the County's self-insurance program where not commercially insured. The District 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. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following:

Cash and cash equivalents with County Treasurer	\$ 26,714
State of Oregon Treasurer's Local Government Investment Pool	<u>1,561,047</u>
	<u>\$ 1,587,761</u>

Cash and cash equivalents represent the District's equity in pooled accounts maintained by the County Treasurer. State statutes authorize the District to invest in general obligations of the U.S. Government and in its agencies, certain bonded obligations of Oregon municipalities, certain corporate indebtedness, bank repurchase agreements, bankers' acceptances and the State of Oregon Treasurer's Local Government Investment Pool (LGIP) among others. As of June 30, 2015, and for the year then ended, the District and the County were in compliance with the aforementioned State of Oregon Statutes.

Oregon Revised Statutes require the public funds depository institution to be a participant in a multiple financial institution collateral pool administered by the Oregon State Treasurer. Reference should be made to the June 30, 2015, Clackamas County Comprehensive Annual Report for compliance with these statutes.

The Oregon State Treasurer 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. The purpose of the Board is to advise the Oregon State Treasurer in the management and investment of the LGIP.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**3. CASH AND CASH EQUIVALENTS (Continued)**

The LGIP is subject to regulatory oversight by the Oregon State Treasurer and is not required to be categorized by risk. Investments in LGIP are stated at fair value, which approximates cost. Fair value in the LGIP is the same as the value of its pool shares. The District's LGIP funds are in the District's name and reference should be made to the June 30, 2015, Clackamas County Comprehensive Annual Report for disclosures of the risk inherent in the County's portfolio.

**4. CAPITAL ASSETS**

Capital asset activity was as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Capital assets being depreciated:				
Buildings	2,570,000	-	-	2,570,000
Total capital assets being depreciated	2,570,000	-	-	2,570,000
Less accumulated depreciation for:				
Buildings	(2,120,250)	(33,315)	-	(2,153,565)
Total accumulated depreciation	(2,120,250)	(33,315)	-	(2,153,565)
Total capital assets being depreciated, net	449,750	(33,315)	-	416,435
Total capital assets, net	\$ 1,449,750	\$ (33,315)	\$ -	\$ 1,416,435

Depreciation expense of the District was \$33,315 for the year ended June 30, 2015.

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**5. CONTRACT PAYABLE**

The District has an intergovernmental agreement for purchase and sale of real property, dated December 30, 1995, with Clackamas Community College (the College) for law enforcement facilities, known as the North Station. The purchase contract calls for annual principal payments and semi-annual interest payments, with the interest rate varying from 4.5% to 5.8% over the life of the contract. The contract matures on June 1, 2026. The \$90,000, principal payment due June 1, 2015 was not paid until July 2015, and a waiver was received from the college waving any defaults or events of defaults that may have occurred in relation to the District's late payment. Changes in the contract and future maturities are as follows:

Fiscal Year	June 30, 2014	Decrease	June 30, 2015	
	Principal		Principal	Interest
2015	\$ 90,000	\$ -	\$ 90,000	\$ -
2016	95,000	-	95,000	83,425
2017	105,000	-	105,000	78,010
2018	110,000	-	110,000	71,920
2019	115,000	-	115,000	65,540
2020	120,000	-	120,000	58,870
2021-2025	725,000	-	725,000	180,090
2026-2030	170,000	-	170,000	9,860
	<u>\$ 1,530,000</u>	<u>\$ -</u>	<u>\$ 1,530,000</u>	<u>\$ 547,715</u>

**6. RELATED-PARTY TRANSACTIONS**

The District has entered into an intergovernmental agreement with the County for the purpose of staffing and servicing the District without unnecessary duplication of effort. For the year ended June 30, 2015, the District paid approximately \$5,927,632, to various County departments. These payments were for the following services agreed upon: employment related services, administrative services, public and government relations and financial services, in addition to various other professional services charged to the District. At June 30, 2015, the District owed the County \$1,195,269 for such services.

**7. CHANGE IN ESTIMATE**

The District has changed the estimated service life of a building. For the year ending June 30, 2014, the building had an estimated service life of 20 years and reported depreciation expense of \$128,500. Effective July 1, 2014, the District changed the estimated service life of the building to 30 years and reports depreciation expense of \$33,315. There is no effect on the change in current year fund balance.

## **SUPPLEMENTARY INFORMATION**

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**YEAR ENDED JUNE 30, 2015**

Fiscal Year	Uncollected June 30, 2014	Levy as Extended by Assessor	Discounts	Interest	Adjustments	Collections	Uncollected June 30, 2015
2014-2015	\$ -	\$ 6,258,012	\$ (160,462)	\$ 2,808	\$ (8,928)	\$ (5,945,475)	\$ 145,955
2013-2014	151,203	-	48	6,436	(2,715)	(78,928)	76,044
2012-2013	87,420	-	4	6,647	(412)	(37,552)	56,107
2011-2012	61,097	-	8	8,520	(533)	(33,111)	35,981
2010-2011	35,458	-	5	4,612	(493)	(15,306)	24,276
2009-2010 and prior	35,758	-	-	2,958	(1,641)	(8,216)	28,859
	<u>\$ 370,936</u>	<u>\$ 6,258,012</u>	<u>\$ (160,397)</u>	<u>\$ 31,981</u>	<u>\$ (14,722)</u>	<u>\$ (6,118,588)</u>	<u>\$ 367,222</u>

**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 IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Clackamas County Enhanced Law Enforcement District  
Oregon City, Oregon

We have audited, 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, the financial statements of Clackamas County Enhanced Law Enforcement District (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2015.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 deficiency in internal control described in the accompanying schedule of findings and responses as 2015-001 that we consider to be a significant deficiency.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District'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 the Report**

The purpose of the report is solely to describe the scope of our testing of our 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. The 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 purposes.

A handwritten signature in black ink that reads "Moss Adams, LLP".

Eugene, Oregon  
October 6, 2015

**CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT  
(A COMPONENT UNIT OF CLACKAMAS COUNTY, OREGON)  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

---

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

**FINDING 2015-001—Default on Contract Payable**

*Criteria* – The District has an intergovernmental agreement for the purchase of real property, dated December 30, 1995, with Clackamas Community College (the College) for law enforcement facilities, known as the North Station. The purchase contract calls for annual principal payments and semi-annual interest payments due June 1 and December 1 through June 1, 2026.

*Condition* – The \$134,278 principal and interest payment due June 1, 2015 was not paid until July 2015.

*Context* – The District's finance functions are provided by the County under an intergovernmental agreement. District personnel initiate payments by sending a payment request to County Finance when payments are due. The District failed to submit the payment request to the County when the June 1, 2015 contract payment was due. County Finance learned about the late payment directly from the College, upon which time a payment request and actual payment was processed.

*Effect* – The District was in default of the contract provisions for failing to make a payment within 10 days of its due date. In September 2015, the District received a waiver from the College for any defaults or events of defaults that may have occurred in relation to the District's late payment.

*Cause* – The District relied on one individual to make a payment request, and that request did not occur.

*Recommendation* – To ensure the timely payment of future contract payments, we recommend the County identify an additional mechanism monitoring the status of the District's loan payment requests.

*Response* – County Finance will monitor the contract payable due dates and initiate the contract payment on behalf of the District staff for all future payments. Payments will be transferred from the District's Local Government Investment Pool account directly to the Community College's account.

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

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

Board of County Commissioners of  
 Clackamas County, Oregon, as Governing Body of  
 Clackamas County Enhanced Law Enforcement District  
 Oregon City, Oregon

We have audited the basic financial statements of the Clackamas County Enhanced Law Enforcement District (the District) as of and for the year ended June 30, 2015 and have issued our report thereon dated October 6, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the 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 District'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 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal year 2015 and 2016.
- The requirements relating to insurance and fidelity bond coverage.
- The statutory requirements pertaining to the investment of public funds.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 deficiency in internal control described in the accompanying schedule of findings and responses as 2015-001 that we consider to be a significant deficiency.

This report is intended solely for the information of the Board of County Commissioners, management, others within the entity, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, reading "James C. Laganotto".

For Moss Adams LLP  
Eugene, Oregon  
October 6, 2015