

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, 2016

**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, 2016

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, 2016

<u>Name</u>	<u>Term Expires</u>
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)**

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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, 2016, 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_{LLP}

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, 2016, 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.



Reports on 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 September 30, 2016 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.

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 September 30, 2016, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "James C. Layton".

for Moss Adams LLP
Eugene, Oregon
September 30, 2016

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, 2016

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, 2016. 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 \$532,180. All of this amount, \$494,060, may be used to meet ongoing obligations.
- Net Position district-wide decreased by \$63,091. Public safety property taxes levied for operations and other revenues fell short of expenditures by this amount.
- The governmental fund reported an ending fund balance of \$156,310, a decrease of \$237,742 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 decreased from prior year. The decrease arises in the excess of expenditures over revenues 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, 2016

Statement of Net Position

A condensed version of the Statement of Net Position for fiscal years ended June 30, 2016 and 2015 follows.

	2016	2015
Assets:		
Current assets	\$2,052,956	\$1,954,983
Capital assets, net of accumulated depreciation	1,383,120	1,416,435
Total assets	3,436,076	3,371,418
Liabilities:		
Current liabilities	1,663,896	1,431,147
Noncurrent liabilities	1,240,000	1,345,000
Total liabilities	2,903,896	2,776,147
Net position:		
Net invested in capital assets	38,120	(113,565)
Restricted for law enforcement	494,060	708,836
Total net position	\$532,180	\$595,271

Current assets increased \$97,973, from prior year due to an increase in cash on hand, as the District has increased the outstanding amounts due to Clackamas County compared to the prior year. Capital assets decreased \$33,315, due to current year depreciation expense. Please see the Capital Asset discussion below. Current liabilities increased \$232,749, 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 \$227,248 over prior year, with an increase of \$218,524 in property taxes, due to continued growth in assessments. A decrease in Net Position of \$63,091 is reported for 2016, which is less than the increase reported in the prior year. Expenses increased by \$444,751, largely due to the rising costs of salaries, fringe benefits, and overtime.

**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, 2016**

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

	<u>2016</u>	<u>2015</u>
General revenues:		
Property taxes levied for operations	\$6,333,398	\$6,114,874
Earnings on investments	7,870	(1,381)
Other	927	1,454
	<u>6,342,195</u>	<u>6,114,947</u>
Governmental expenses:		
Public safety	<u>6,405,286</u>	<u>5,960,535</u>
Change in net position	(63,091)	154,412
Net position, beginning of year	<u>595,271</u>	<u>440,859</u>
Net position, end of year	<u><u>\$532,180</u></u>	<u><u>\$595,271</u></u>

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 (budgetary basis) decreased \$230,384 during the year. Compared to budget, a negative variance of \$13,177 is reported for total revenues, primarily due to property tax revenue collections coming in at less than projected. Expenditures were under budget by \$131,008.

CAPITAL ASSET AND DEBT ANALYSIS

As of June 30, 2016, the District had invested \$1,383,120 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 \$1,345,000 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, 2016**

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, 2016 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, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,670,562
Property taxes receivable	382,394
Capital assets not being depreciated:	
Land	1,000,000
Capital assets, net of accumulated depreciation:	
Buildings	<u>383,120</u>
TOTAL ASSETS	<u><u>3,436,076</u></u>
LIABILITIES	
Due to Clackamas County	1,552,731
Accrued interest payable	6,165
Noncurrent liabilities:	
Due within one year	105,000
Due in more than one year	<u>1,240,000</u>
TOTAL LIABILITIES	<u><u>2,903,896</u></u>
NET POSITION	
Net investment in capital assets	38,120
Restricted for law enforcement	<u>494,060</u>
TOTAL NET POSITION	<u><u>\$ 532,180</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, 2016

ACTIVITIES

GOVERNMENTAL:

Expenses:

Public safety	<u>\$ 6,405,286</u>
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GENERAL REVENUES:

Property taxes levied for operations	6,333,398
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Earnings on investments	7,870
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Miscellaneous	<u>927</u>
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TOTAL GENERAL REVENUES	<u><u>6,342,195</u></u>
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CHANGE IN NET POSITION	(63,091)
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NET POSITION, June 30, 2015	<u>595,271</u>
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NET POSITION, June 30, 2016	<u><u>\$ 532,180</u></u>
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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, 2016

ASSETS:

Cash and cash equivalents	\$ 1,670,562
Property taxes receivable	<u>382,394</u>
TOTAL ASSETS	<u><u>\$ 2,052,956</u></u>

LIABILITIES:

Due to Clackamas County	\$ 1,552,731
TOTAL LIABILITIES	<u>1,552,731</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property taxes	<u>343,915</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>343,915</u>

FUND BALANCE:

Restricted	<u>156,310</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:	<u><u>\$ 2,052,956</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)
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL FUND BALANCE	\$	156,310
Total net position in the Statement of Net Position is different because:		
Capital assets, net of depreciation of \$2,186,880 are not financial resources and therefore are not reported in the governmental fund.		1,383,120
Contracts payable that are not payable from current resources are not reported as governmental fund liabilities.		(1,345,000)
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.		(6,165)
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>343,915</u>
TOTAL NET POSITION	\$	<u><u>532,180</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 REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES:	
Property taxes	\$ 6,310,868
Interest	7,870
Miscellaneous	<u>927</u>
TOTAL REVENUES	<u>6,319,665</u>
 EXPENDITURES:	
Materials and services	6,288,982
Debt Service:	
Principal	185,000
Interest	<u>83,425</u>
TOTAL EXPENDITURES	<u>6,557,407</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	 (237,742)
FUND BALANCE, June 30, 2015	 <u>394,052</u>
FUND BALANCE, June 30, 2016	 <u><u>\$ 156,310</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)
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCE	\$ (237,742)
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.	
	22,530
Long term debt principal payments are recorded as expenditures in the governmental fund but reduce the liability in the Statement of Net Position	
	185,000
Interest expense is accrued on long-term debt, whereas in the governmental fund, it is recorded as an interest expenditure when due.	
	<u>436</u>
CHANGE IN NET POSITION	<u><u>\$ (63,091)</u></u>

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, 2016

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, 2016

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, 2016

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, No. 40 and No. 72 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, 2016.

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, 2016

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 30th 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 and 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, 2016

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	\$ 22,094
State of Oregon Treasurer's Local Government Investment Pool	<u>1,648,468</u>
	<u>\$ 1,670,562</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, 2016, 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, 2016, 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, 2016

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, 2016, 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, 2015	Increases	Decreases	Balance June 30, 2016
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	(2,153,565)	(33,315)	-	(2,186,880)
Total accumulated depreciation	(2,153,565)	(33,315)	-	(2,186,880)
Total capital assets being depreciated, net	416,435	(33,315)	-	383,120
Total capital assets, net	<u>\$ 1,416,435</u>	<u>\$ (33,315)</u>	<u>\$ -</u>	<u>\$ 1,383,120</u>

Depreciation expense of the District was \$33,315 for the year ended June 30, 2016.

CLACKAMAS COUNTY ENHANCED LAW ENFORCEMENT DISTRICT
(A Component unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

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. Changes in the agreement and future maturities are as follows:

Fiscal Year	June 30, 2015	Decrease	June 30, 2016	
	Principal		Principal	Interest
2016	185,000	(185,000)	-	-
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>\$ (185,000)</u>	<u>\$ 1,345,000</u>	<u>\$ 464,290</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, 2016, the District paid approximately \$6,288,982 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, 2016, the District owed the County \$1,552,731 for such services.

SUPPLEMENTARY INFORMATION

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, 2016

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 6,337,700	\$ 6,337,700	\$ 6,318,226	\$ (19,474)
Miscellaneous	-	-	927	927
Interest	2,500	2,500	7,870	5,370
TOTAL REVENUES	<u>6,340,200</u>	<u>6,340,200</u>	<u>6,327,023</u>	<u>(13,177)</u>
EXPENDITURES:				
Materials and services	6,346,775	6,346,775	6,288,982	57,793
Debt service	178,425	341,640	268,425	73,215
TOTAL EXPENDITURES	<u>6,525,200</u>	<u>6,688,415</u>	<u>6,557,407</u>	<u>131,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(185,000)	(348,215)	(230,384)	117,831
FUND BALANCE, June 30, 2015	<u>185,000</u>	<u>348,215</u>	<u>348,215</u>	<u>-</u>
FUND BALANCE, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	117,831	<u>\$ 117,831</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>38,479</u>	
FUND BALANCE (US GAAP BASIS), June 30, 2016			<u>\$ 156,310</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)
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
YEAR ENDED JUNE 30, 2016

Fiscal Year	Uncollected June 30, 2015	Levy as Extended by Assessor	Discounts	Interest	Adjustments	Collections	Uncollected June 30, 2016
2015-2016	\$ -	\$ 6,485,978	\$ (166,628)	\$ 3,009	\$ (9,278)	\$ (6,171,085)	\$ 141,996
2014-2015	145,955	-	37	5,884	(2,579)	(71,738)	77,559
2013-2014	76,044	-	8	5,126	(452)	(28,671)	52,055
2012-2013	56,107	-	6	7,177	(328)	(28,076)	34,886
2011-2012	35,981	-	1	4,060	(132)	(13,768)	26,142
2010-2011	24,276	-	1	899	(115)	(2,470)	22,591
2009-2010 and prior	28,859	-	-	842	(118)	(2,418)	27,165
	<u>\$ 367,222</u>	<u>\$ 6,485,978</u>	<u>\$ (166,575)</u>	<u>\$ 26,997</u>	<u>\$ (13,002)</u>	<u>\$ (6,318,226)</u>	<u>\$ 382,394</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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MOSS ADAMS_{LLP}**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*.

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.



Eugene, Oregon
September 30, 2016

**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, 2016 and have issued our report thereon dated September 30, 2016. 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 debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal year 2016 and 2017.
- 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. Except as discussed below, 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.

MOSS ADAMS_{LLP}

Public Notice of Budget Meeting

The results of our testing indicated an instance of non-compliance relating to meeting the publication requirement timeframes for the 2017 budget committee meeting notice. Upon identifying the noncompliance, the District advised the governing body at a regularly scheduled meeting in writing of the error and the corrective action taken.

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.

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 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
September 30, 2016