

Clackamas County Service District No. 5

(A Component Unit of Clackamas County, Oregon)



Report of Independent Auditors and Financial Statements with Supplementary Information

For The Fiscal Year Ended June 30, 2021

**CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)**

Report of Independent Auditors and
Financial Statements with
Supplementary Information

For the Fiscal Year Ended June 30, 2021

Prepared by:
Clackamas County Service District No. 5
Department of Finance
Elizabeth Comfort, Director of Finance
Christa Bosserman Wolfe, Deputy Director, CPA

**CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Governing Body.....	i
FINANCIALS SECTION:	
REPORT OF INDEPENDENT AUDITORS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	14
Schedule of Special Assessment Transactions And Outstanding Balances	15
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	16
SCHEDULE OF FINDINGS AND RESPONSES	18
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON MINIMUM AUDIT STANDARDS	19

**CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(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, 2021

<u>Name</u>	<u>Term Expires</u>
Tootie Smith, Chair Public Services Building	December 31, 2024
Sonya Fischer, Commissioner Public Services Building	December 31, 2022
Paul Savas, Commissioner Public Services Building	December 31, 2022
Martha Schrader, Commissioner Public Services Building	December 31, 2024
Mark Shull, Commissioner Public Services Building	December 31, 2024

ADMINISTRATIVE OFFICES

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

LEGAL COUNSEL & REGISTERED AGENT

Stephen Madkour
2051 Kaen Road
Oregon City, Oregon 97045

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Service District No. 5
Oregon City, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Clackamas County Service District No. 5 (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2021, and the related notes to the 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 an opinion 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 District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

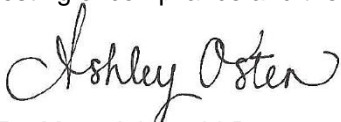
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 October 15, 2021, 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.



For Moss Adams LLP
Portland, Oregon
October 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

This discussion and analysis of Clackamas County Service District No. 5 (the District) offers readers a narrative overview of financial activities for the fiscal year ended June 30, 2021. 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 \$3,021,057. Of this, the full amount may be used to meet ongoing obligations.
- Operating revenues increased \$40,534 from the prior year primarily due to an increase in properties assessed. Costs for purchased street lighting service increased by \$31,527 and administrative costs increased by \$1,568. Other expenses decreased \$21,078 primarily due to completion of projects active in the prior year. This contributed to a \$28,517 increase in operating income compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide government-wide information. 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 Revenues, Expenses and Changes in Net Position reports the 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 indicates whether financial health is improving or deteriorating.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District reported an operating income for the year of \$282,475, together with non-operating income of \$24,281, which resulted in an increase in net position of \$306,756.

Statement of Net Position

A condensed version of the Statement of Net Position for fiscal years ended June 30, 2021 and 2020 follows:

	2021	2020
Total assets	\$ 3,314,252	\$ 2,993,724
Total liabilities	293,195	279,423
Unrestricted net position	3,021,057	2,714,301
Total net position	\$ 3,021,057	\$ 2,714,301

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Statement of Net Position (Continued)

Current assets increased \$320,528 over the prior year, primarily in cash and cash equivalents due to a decrease in payments made to suppliers. Change in net position is discussed above in the government-wide financial analysis.

Statement of Revenues, Expenses and Changes in Net Position

Street light assessment rates are evaluated with the objective of providing for purchased services and maintaining a targeted yearend financial position which is sufficient to pay utility billings in the first five months of the year prior to the receipt of assessments. The District has been successful in managing financial position. Unrestricted net position, available to pay July 1 through November 15 utility billings, increased by \$306,756 during the year. Operating revenues increased \$40,534 primarily due to an increase in properties assessed. The District will continue to maximize incentives as they are offered. Total operating expenses increased \$12,017 from the prior year, primarily due increases in the cost of purchased street lighting service.

The following condensed Statement of Revenues, Expenses and Changes in Net Position reports revenues and expenses for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Street light assessments	\$ 2,272,184	\$ 2,231,650
TOTAL OPERATING REVENUES	<u>2,272,184</u>	<u>2,231,650</u>
OPERATING EXPENSES:		
Purchased street lighting service	1,834,034	1,802,507
Administrative expenses	155,675	154,107
Other expenses	-	21,078
TOTAL OPERATING EXPENSES	<u>1,989,709</u>	<u>1,977,692</u>
OPERATING INCOME	<u>282,475</u>	<u>253,958</u>
NON OPERATING INCOME:		
Interest income	24,281	56,759
NON OPERATING INCOME	<u>24,281</u>	<u>56,759</u>
CHANGE IN NET POSITION	306,756	310,717
NET POSITION, June 30, 2020	<u>2,714,301</u>	<u>2,403,584</u>
NET POSITION, June 30, 2021	<u>\$ 3,021,057</u>	<u>\$ 2,714,301</u>

**CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS

The District contracts with Portland General Electric (PGE) to design, install, maintain and operate street lights. PGE in turn bills the District based on tariff rates set by the Oregon Public Utility Commission. Costs are passed on to those served as a special assessment on individual property tax statements or through direct billing. The District has been successful in setting rates which accommodate PGE rate increases and maintain a yearend financial position such that operations are funded until assessments are received in November each year. The District evaluates customer rates once each year and continues to monitor cost of service, particularly purchased electricity.

In early 2020, cases of novel coronavirus (COVID-19) began surfacing in the United States and on the West Coast. In response to local cases emerging here in the State of Oregon, the Governor issued an Executive Order declaring a state of emergency on March 8, 2020, and issued an Executive Order to stay home on March 23, 2020. To date, the County has experienced various levels of shut downs and re-openings and is now combatting Delta, the 4th wave of the virus. It is unknown at this time what the exact economic impact will be to the District in the coming fiscal year. Given the end of Federal unemployment benefits and rent moratoriums, it is possible that the delinquent rate for assessments could rise, which would result in reduction in assessment revenues for the District and an increase in the balance outstanding as assessments receivable.

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 SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS:

Cash and investments	\$ 3,248,692
Accounts receivable	763
Assessments receivable, street lighting	63,781
Due from Clackamas County	<u>1,016</u>
TOTAL ASSETS	<u>3,314,252</u>

LIABILITIES:

Accounts payable	249,853
Due to Clackamas County	<u>43,342</u>
TOTAL LIABILITIES	<u>293,195</u>

NET POSITION:

Unrestricted	<u>3,021,057</u>
TOTAL NET POSITION	<u><u>\$ 3,021,057</u></u>

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES:	
Street light assessments	<u>\$ 2,272,184</u>
TOTAL OPERATING REVENUES	<u>2,272,184</u>
OPERATING EXPENSES:	
Purchased street lighting service	1,834,034
Administrative expenses	<u>155,675</u>
TOTAL OPERATING EXPENSES	<u>1,989,709</u>
OPERATING INCOME	<u>282,475</u>
NON OPERATING INCOME:	
Interest income	<u>24,281</u>
NON OPERATING INCOME	<u>24,281</u>
CHANGE IN NET POSITION	306,756
NET POSITION, June 30, 2020	<u>2,714,301</u>
NET POSITION, June 30, 2021	<u><u>\$ 3,021,057</u></u>

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

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,272,126
Payments to suppliers	(1,835,017)
Paid to Clackamas County for contractual services	<u>(140,920)</u>
Net Cash Provided (Used) By Operating Activities	<u>296,189</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>24,281</u>
Net Cash Provided (Used) By Investing Activities	<u>24,281</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	320,470
CASH AND CASH EQUIVALENTS, June 30, 2020	<u>2,928,222</u>
CASH AND CASH EQUIVALENTS, June 30, 2021	<u><u>\$ 3,248,692</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (loss)	\$ 378,430
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(713)
Decrease in street lighting assessments receivable	277
Decrease in due from Clackamas County	378
Decrease in accounts payable	(96,938)
Increase in due to Clackamas County	<u>14,755</u>
Total adjustments	<u>(82,241)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 296,189</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District

The District was formed in November 1970 under the provisions of Chapter 451 of the Oregon Revised Statutes to construct and operate facilities for lighting of streets and highways in a particular area of Clackamas County, Oregon (the County). The District has no potential component units. The Clackamas County Board of Commissioners (Board) is the governing body of the District as provided by ORS 451.485. Personnel of the Clackamas County Departments of Finance, Transportation and Development and the County Treasurer 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 as a component unit.

Portland General Electric Company provides street and highway lighting power service on a contract basis.

Basis of Accounting

The District's basic financial statements are prepared on the accrual basis of accounting. The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily transmitting street lighting services. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expense.

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 financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

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 cash equivalents comprise funds held and invested by the County Treasurer and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash and investments held by the County Treasurer and the LGIP, since they have the general characteristics of a demand deposit account.

**CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Lighting Assessments Receivable

Street lighting assessments are recorded as revenue as earned. An allowance for doubtful accounts is not deemed necessary, as uncollectable accounts become a lien on the property. All assessments receivable are due from property owners within the District.

Budget

The District is required by state law to budget its operations on a fund basis. The budget is prepared on the modified accrual basis of accounting. The resolution authorizing appropriations for the District's fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the principal object level - materials and services, capital outlay and contingency - 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 among object levels require approval by the Board. 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 a supplemental budget 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, publications in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control and require approval by the Board. During the fiscal year no appropriation transfers were adopted. Appropriations lapse as of year-end.

Net Position

In the financial statements, assets in excess of liabilities are presented as either fund balances or net position, depending upon the measurement focus used for financial reporting in the fund. The District reports net position for the fund.

Net Position is reported on the Statement of Net Position. All other net position components of the District are unrestricted.

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 and/or the County 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.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2021 are comprised of the following:

Cash and cash equivalents with County Treasurer	\$ 13,642
State of Oregon Treasurer's Local Government Investment Pool	<u>3,235,050</u>
	<u><u>\$3,248,692</u></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, certain commercial paper and the State of Oregon Treasurer's Local Government Investment Pool (LGIP), among others. As of June 30, 2021, and for the year then ended, the District and the County were in compliance with the aforementioned State of Oregon statutes.

Oregon Revised Statutes (ORS) require the public funds depository institution to be a participant in a multiple financial institution collateral pool administered by the Oregon State Treasurer or otherwise adequately collateralized as outlined in ORS 295. Reference should be made to the June 30, 2021, Clackamas County Annual Comprehensive Report for compliance with these statutes.

PFM Asset Management LLC provides administrative and operational support for the LGIP. The LGIP is an open-ended no-load diversified portfolio. The LGIP is offered to any municipality, political subdivision or public corporation of Oregon who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with state funds in the Oregon Short Term Fund (OSTF). In seeking to best serve participants, the Oregon Legislature established the OSTF Board. The OSTF Board advises the Oregon Investment Council and State Treasury in the management and investments of the OSTF. The OSTF is an external investment pool. The OSTF is not registered with the U.S. Securities and Exchange Commission as an investment company. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Investments in the 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, 2021, Clackamas County Annual Comprehensive Financial Report for disclosures of the risk inherent in the County's portfolio.

4. RELATED-PARTY TRANSACTIONS

Labor and fringe benefit expenses, administrative expenses for accounting, occupancy, administration and other professional services amounting to approximately \$140,920 were paid to various Clackamas County departments. Approximately \$5,646, was received from Clackamas County and related service districts for street lighting services.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

5. COMMITMENTS & CONTINGENCIES

COVID-19

In early 2020, cases of novel coronavirus (COVID-19) began surfacing in the United States and on the West Coast. In response to local cases emerging here in the State of Oregon, the Governor issued an Executive Order declaring a state of emergency on March 8, 2020, and issued an Executive Order to stay home on March 23, 2020. To date, the County has experienced various levels of shut downs and re-openings and is now combatting Delta, the 4th wave of the virus. It is unknown at this time what the exact economic impact will be to the District in the coming fiscal year. Given the end of Federal unemployment benefits and rent moratoriums, it is possible that the delinquent rate for assessments could rise, which would result in reduction in assessment revenues for the District and an increase in the balance outstanding as assessments receivable.

SUPPLEMENTARY INFORMATION

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Street lighting assessments	\$ 2,435,188	\$ 2,143,999	\$ 2,272,461	\$ 128,462
Interest	50,000	25,000	24,281	(719)
TOTAL REVENUES	2,485,188	2,168,999	2,296,742	127,743
EXPENDITURES:				
Public Ways & Facilities	2,269,257	2,269,257	1,989,709	279,548
Contingency	300,000	300,000	-	300,000
TOTAL EXPENDITURES	2,569,257	2,569,257	1,989,709	579,548
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(84,069)	(400,258)	307,033	707,291
FUND BALANCE, June 30, 2020	2,451,010	2,451,010	2,650,243	199,233
FUND BALANCE, June 30, 2021	\$ 2,366,941	\$ 2,050,752	2,957,276	\$ 906,524
ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):				
Street lighting assessments receivable			63,781	
NET POSITION (US GAAP BASIS), June, 30, 2021			\$ 3,021,057	

CLACKAMAS COUNTY SERVICE DISTRICT NO. 5
(A Component Unit of Clackamas County, Oregon)
SCHEDULE OF SPECIAL ASSESSMENT TRANSACTIONS AND OUTSTANDING BALANCES
YEAR ENDED JUNE 30, 2021

<u>Fiscal Year</u>	<u>Uncollected June 30, 2020</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts</u>	<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2021</u>
2020-2021	\$ -	\$ 2,288,060	\$ 2	\$ 915	\$ (63,808)	\$ (2,190,442)	\$ 34,727
2019-2020	35,947	-	1	1,534	(1,635)	(19,815)	16,032
2018-2019	13,035	-	1	1,339	(654)	(7,776)	5,945
2017-2018	7,618	-	-	1,481	(411)	(6,153)	2,535
2016-2017	3,137	-	-	857	(28)	(3,071)	895
2015-2016	898	-	-	130	(26)	(367)	635
2014-2015 and prior	3,423	-	1	(87)	(33)	(292)	3,012
	<u>\$ 64,058</u>	<u>\$ 2,288,060</u>	<u>5</u>	<u>\$ 6,169</u>	<u>\$ (66,595)</u>	<u>\$ (2,227,916)</u>	<u>\$ 63,781</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 Performed in Accordance with *Government Auditing Standards*

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Service District No. 5
Oregon City, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clackamas County Service District No. 5 (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2021, 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 15, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

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 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
October 15, 2021

SCHEDULE OF FINDINGS AND RESPONSES

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

FINDING 2021-001—Completeness of Accounts Payable

Criteria – Accounts payable should represent a complete presentation of authorized current obligations that arise from the purchase of goods or services including those received but not billed.

Condition – The District received an invoice from a vendor in July 2021, 63% of which was for services the District received in June 2021. The District did not properly accrue the services received in accounts payable as of June 30, 2021.

Context – The District has one significant vendor, which generally invoices the District once per month.

Effect – The District's financial statements as of June 30, 2021 understated accounts payable and expense by \$95,954.

Cause – District staff marked the vendor invoice to be paid with FY22 budget dollars, and Accounts Payable staff did not identify that 63% of the current invoiced charges were for FY21 services, requiring accrual as of June 30, 2021.

Recommendation – We recommend the County provide District staff education and training over prorating invoices near fiscal year-end.

Response – The County has reviewed with staff the process of splitting invoices at year-end by prorating the cost based on the number of service days. District staff have noted this in their procedures for next year. County Finance has also added a procedure of reviewing PGE invoices for this accrual before closing the books.

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

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

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Clackamas County Service District No. 5
Oregon City, Oregon

We have audited the basic financial statements of Clackamas County Service District No. 5 (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2021 and have issued our report thereon dated October 15, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the 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, grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- 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 2021 and 2022.
- The requirements relating to insurance and fidelity bond coverage.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-001 that we consider to be a material weakness.

The District's Response to the Finding

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 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



for Moss Adams LLP
Portland, Oregon
October 15, 2021