

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, 2019

**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, 2019

Prepared by:
Clackamas County Service District No. 5
Department of Finance
Christa Bosserman Wolfe, Director of Finance, CPA
David Bodway, Controller, MPA
Haley Fish, Deputy Director, CPA

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

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**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, 2019

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

ADMINISTRATIVE OFFICES

Department of Transportation and Development
150 Beavercreek 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, 2019, 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.

Opinions

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, 2019, and the respective changes in financial position and, where applicable, 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 are not a required part of the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming 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 are 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 November 6, 2019, 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 November 6, 2019, 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
Eugene, Oregon
November 6, 2019

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, 2019**

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, 2019. 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 \$2,403,584. Of this \$2,403,584 may be used to meet ongoing obligations.
- Operating revenues increased \$370,662 from the prior year while costs for purchased street lighting service increased by \$51,473 and administrative costs decreased by \$12,624. This contributed to a \$414,599 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 \$92,837, together with non-operating income of \$62,930, which resulted in an increase in net position of \$155,767.

Statement of Net Position

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

	2019	2018
Total assets	\$ 2,551,340	\$ 3,427,876
Total liabilities	147,756	1,180,059
Unrestricted net position	2,403,584	2,247,817
Total net position	\$ 2,403,584	\$ 2,247,817

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, 2019

Statement of Net Position (Continued)

Current assets decreased \$876,536 over the prior year, primarily due to an decrease in cash and cash equivalents from 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 \$155,767 during the year. Operating revenues increased \$370,662 primarily due to \$400,000 received from 2 energy incentives for the cobra and shoebox LED conversions. The District will continue to maximize incentives as they are offered. Total operating expenses decreased \$43,937 over the prior year. The decrease is due to primarily from a reduction of other expenses.

The following condensed Statement of Revenues, Expenses and Changes in Net Position reports revenues and expenses for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Street light assessments	\$ 2,118,210	\$ 2,147,548
Energy efficiency incentives	400,000	-
TOTAL OPERATING REVENUES	<u>2,518,210</u>	<u>2,147,548</u>
OPERATING EXPENSES:		
Purchased street lighting service	1,655,384	1,603,911
Administrative expenses	145,995	158,619
Other expenses	623,994	706,780
TOTAL OPERATING EXPENSES	<u>2,425,373</u>	<u>2,469,310</u>
OPERATING INCOME (LOSS)	<u>92,837</u>	<u>(321,762)</u>
NON OPERATING INCOME:		
Interest income	62,930	48,029
NON OPERATING INCOME	<u>62,930</u>	<u>48,029</u>
CHANGE IN NET POSITION	155,767	(273,733)
NET POSITION, June 30, 2018	<u>2,247,817</u>	<u>2,521,550</u>
NET POSITION, June 30, 2019	<u>\$ 2,403,584</u>	<u>\$ 2,247,817</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, 2019**

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.

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, 2019

ASSETS:

Cash and cash equivalents	\$ 2,488,104
Accounts receivable	436
Due from Clackamas County	1,355
Street lighting assessments receivable	<u>61,445</u>
TOTAL ASSETS	<u>2,551,340</u>

LIABILITIES:

Accounts payable	104,097
Due to Clackamas County	<u>43,659</u>
TOTAL LIABILITIES	<u>147,756</u>

NET POSITION:

Unrestricted	<u>2,403,584</u>
TOTAL NET POSITION	<u><u>\$ 2,403,584</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, 2019

OPERATING REVENUES:	
Street light assessments	<u>\$ 2,118,210</u>
TOTAL OPERATING REVENUES	<u>2,518,210</u>
OPERATING EXPENSES:	
Purchased street lighting service	1,655,384
Administrative expenses	145,995
Other expenses	<u>623,994</u>
TOTAL OPERATING EXPENSES	<u>2,425,373</u>
OPERATING INCOME	<u>92,837</u>
NON OPERATING INCOME:	
Interest income	<u>62,930</u>
NON OPERATING INCOME	<u>62,930</u>
CHANGE IN NET POSITION	155,767
NET POSITION, June 30, 2018	<u>2,247,817</u>
NET POSITION, June 30, 2019	<u><u>\$ 2,403,584</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 2,221,245
Payments to suppliers	(3,274,005)
Paid to Clackamas County for contractual services	<u>(183,671)</u>
Net Cash Provided (Used) By Operating Activities	<u>(1,236,431)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>62,930</u>
Net Cash Provided (Used) By Investing Activities	<u>62,930</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS (1,173,501)

CASH AND CASH EQUIVALENTS, June 30, 2018 3,261,605

CASH AND CASH EQUIVALENTS, June 30, 2019 \$ 2,088,104

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss) \$ 92,837

Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:

Changes in assets and liabilities:

Increase in street lighting assessments receivable	71,949
Increase in accounts receivable	25,648
Increase in due from Clackamas County	5,438
Increase in accounts payable	(594,627)
Increase in unearned revenue	(400,000)
Increase in due to Clackamas County	<u>(37,676)</u>

Total adjustments (929,268)

Net Cash Provided (Used) By Operating Activities \$ (836,431)

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, 2019

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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. 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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2019 are comprised of the following:

Cash and cash equivalents with County Treasurer	\$ 32,482
State of Oregon Treasurer's Local government Investment Pool	2,455,623
	<hr/>
	\$ 2,488,104

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 among others. As of June 30, 2019 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, 2019, Clackamas County Comprehensive Annual Report for compliance with these statutes.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local government in Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The LGIP is subject to regulatory oversight by the Oregon State Treasurer, ORS 294-135, and the Oregon Investment Council and is not required to be categorized by risk. Investments in LGIP are stated at cost, which approximates fair value. 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, 2019, Clackamas County Comprehensive Annual 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 \$183,671 were paid to various Clackamas County departments. Approximately \$4,973, was received from Clackamas County and related service districts for street lighting services.

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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Street lighting assessments	\$ 2,117,125	\$ 2,117,125	\$ 2,190,159	\$ 73,034
State Grant Revenue	-	-	400,000	400,000
Interest	11,000	11,000	62,930	51,930
TOTAL REVENUES	<u>2,128,125</u>	<u>2,128,125</u>	<u>2,653,089</u>	<u>524,964</u>
EXPENDITURES:				
Public Ways & Facilities	2,408,563	2,658,563	2,425,373	233,190
Contingency	944,674	694,674	-	694,674
TOTAL EXPENDITURES	<u>3,353,237</u>	<u>3,353,237</u>	<u>2,425,373</u>	<u>927,864</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,225,112)	(1,225,112)	227,716	1,452,828
FUND BALANCE, June 30, 2018	<u>1,755,113</u>	<u>1,755,113</u>	<u>2,114,423</u>	<u>359,310</u>
FUND BALANCE, June 30, 2019	<u>\$ 530,001</u>	<u>\$ 530,001</u>	2,342,139	<u>\$ 1,812,138</u>
ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):				
Street lighting assessments receivable			<u>61,445</u>	
NET POSITION (US GAAP BASIS), June, 30, 2019			<u>\$ 2,403,584</u>	

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, 2019

<u>Fiscal Year</u>	<u>Uncollected June 30, 2018</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts</u>	<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2019</u>
2018-2019	\$ -	\$ 2,154,342	\$ (56,659)	\$ 704	\$ (6,218)	\$ (2,060,860)	\$ 31,309
2017-2018	42,993	-	(132)	1,575	(5,698)	(25,149)	13,589
2016-2017	22,989	-	(123)	1,394	(5,469)	(10,999)	7,792
2015-2016	17,267	-	(138)	1,532	(5,618)	(9,691)	3,352
2014-2015	12,081	-	(241)	887	(1,732)	(9,945)	1,050
2013-2014	8,652	-	(230)	103	(864)	(6,771)	890
2012-2013 and prior	29,412	-	(850)	107	(1,441)	(23,765)	3,463
	<u>\$ 133,394</u>	<u>\$ 2,154,342</u>	<u>(58,373)</u>	<u>\$ 6,302</u>	<u>\$ (27,040)</u>	<u>\$ (2,147,180)</u>	<u>\$ 61,445</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 the Clackamas County Service District No. 5 (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 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

Eugene, Oregon
November 6, 2019

**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 the Clackamas County Service District No. 5 (the District) as of and for the year ended June 30, 2019 and have issued our report thereon dated November 6, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the 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 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal year 2019 and 2020.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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
Eugene, Oregon
November 6, 2019