



Financial Condition:

Assessment of Clackamas County's financial health and fiscal sustainability

March 2025

Report by the Office of County Internal Audit

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Executive Summary

The county's financial health is stable. The county has a balanced budget and the county's debt liquidity, fund balance, and credit ratings are strong. Revenue and expense per county resident indicators continue to increase. The county needs to continue to monitor its aging capital assets, unmet infrastructure needs, and increasing expenditures.

	Indicator	Change from Previous Year	10-year Trend	Interpretation
Financial Health	Liquidity: Cash resources to meet immediate needs	↑	↑ <small>Above standard since 2007</small>	OK
	Debt Ratio: Compares total debt to total assets	↑	↑ <small>Above standard since 2007</small>	OK
	Fund Balance Ratio: Reserves for adequate cash flow and capacity to withstand financial emergencies	↑	↓ <small>Above standard since 2010</small>	OK
	Capital Assets Aging: Maintenance and repair of county's buildings, roads, bridges, machinery, and equipment	↓	↓	Needs more attention
	Net Position: What we own versus what we owe	↑	↑	OK
Revenues	Revenue per county resident	↑	↑	OK
	Property taxes collected per county resident	↑	↑	OK
	Percentage of General Fund Intergovernmental Revenues: County general fund dollars received from state and federal government	↓	↑	OK
Expenditures	Expenses per county resident	↑	↑	Needs more attention
	County employees per 1,000 county residents	↑	↑	OK
	Internal service expenses	↑	↓	OK
Debt	Percentage of spending on debt: County dollars spent on principal and interest	↑	↓	OK
	Credit Ratings: Independent assessment of County's debt health	↑	↑	OK
	Outstanding debt per county resident	↑	↑	OK
Demographics	Per capita income	↑	↑	OK
	Poverty	↓	↓	OK
	Residents without health insurance	↓	↓	OK
	Unemployment	↑	↓	OK

Background

What is the Financial Condition?

This report provides residents and public officials information on Clackamas County's financial health. The report uses information—primarily from the county's audited Annual Comprehensive Financial Report—and identifies favorable and unfavorable trends at a high level. Monitoring county finances over time enables public officials and residents to assess the county's financial condition and fiscal sustainability, and to identify problem areas that may need attention.

A financially sustainable county can meet its obligations and provide services on an ongoing basis. It can address the effects of fiscal interdependency between governments, withstand economic disruptions, and respond to changes in the environment. A financially stable county collects enough revenue to pay its short and long-term bills and finance major needs without shifting disproportionate costs to future generations.

County Services

The county provides direct services to both urban and rural residents of Clackamas County. Some of these services are supported by local taxes. Others rely in part on state and federal revenue. The Association of Oregon Counties¹ identified major services provided by the state, counties, and by both entities.

SHARED STATE-COUNTY SERVICES					
	GOVERNANCE, REVENUE, & ECONOMIC DEV.	PUBLIC SAFETY & VETERANS	NATURAL RESOURCES	TRANSPORTATION & COMMUNITY DEVELOPMENT	HEALTH & HUMAN SERVICES
STATE-PROVIDED SERVICES	Administrative Services Contracting & Procurement	Appellate Courts Department of Justice State Police State Prisons	State Lands State Parks Water Regulation Wildlife Regulation	State Highways	Child Protection State Hospital
STATE/COUNTY-SHARED SERVICES	County Courthouses County Fairs Economic Development Elections Extension Service Fees Finance & Investment Insurance & Liability Labor Relations PERS Public Records & Meetings Revenue & Taxation	Community Corrections County Law Libraries Court Security District Attorney Services Drug Policy Emergency Services Juvenile Services Marine Patrol Services Medical Examiner Trial & Specialty Courts Veteran Services	County Forest Trust Lands County Parks Energy Development Federal Land Policy Land Use (resource lands) Ocean & Coastal Policy Pesticide Control Predator Control Private & State Forests Watermaster Weed Control Wetlands Wildfires	Broadband Building Code & Inspections Engineering Highway & Road System Infrastructure Development Land Use (non-resource lands) Ports Railroads Telecommunications Transit	Behavioral Health Services, including: Court-Ordered "Aid and Assist Restoration" Mental Health Treatment & Recovery Services Civil Commitment Investigations & Services Crisis Response 'Guilty Except for Insanity' Secure Residential Treatment Supported Housing Substance Abuse Prevention and Treatment Environmental Health Intellectual & Developmental Disabilities Services Public Health
COUNTY-PROVIDED SERVICES	Administrative Services County Library County Museums County Service Districts County Governance Document Recording	Animal Control County Jails Justice Courts Search & Rescue Sheriff Patrol	County Parks County Property Soil & Water Conservation Vector Control	County Road System Recycling Solid Waste Management Surveying	
Disclaimer: Please note this list is not all inclusive. Last updated Jan. 23, 2025 <div>AOC ASSOCIATION OF OREGON COUNTIES</div>					

Source: Association of Oregon Counties Shared Services Chart

¹ <http://oregoncounties.org/news/publications/shared-services/>

Clackamas County's Financial Condition

This report is intended to provide additional analysis and transparency of the county's financial health. It is not intended to provide explanations or analysis on the cause of changes, nor provide recommendations on operational processes.

In the fiscal year beginning July 1, 2021, the county changed the chart of accounts to tie to county strategic goals and streamline processes and fund management. In changing the chart of accounts, some funds were consolidated and reclassified.

In FY23, the county entered into an agreement for the construction of a new courthouse² using a public-private partnership. The project value is approximately \$313 million, and funding is through the Oregon Courthouse Capital Construction Improvement Fund, the State of Oregon General Fund, the Oregon Judicial Department, and budgeted county general funds. The county's share will be paid over 30 years, averaging \$15 million annually, and is expected to start May 2025. The \$130 million milestone payment due in May 2025 will be paid with the state funding. The FY24 financial condition analysis does not reflect the impact of these funding obligations as the payments have not occurred and are not reflected in the annual comprehensive financial reports supporting this analysis. Future financial condition analyses will incorporate these future transactions.

Unless otherwise indicated, data is presented on a fiscal year basis. Years on the graphs represent data as of the fiscal year ended (e.g., 2024 represents June 30, 2024).

About Clackamas County

Clackamas County was established on July 5, 1843. It is governed by an elected Board of Commissioners. The county encompasses 1,883 square miles of urban, suburban, rural, and wild geographic areas.

The county's Land Acknowledgement states: "What we now call Clackamas County is the traditional lands and waterways of the Clackamas, Chinook Bands, Kalapuya, Kathlamet, Molalla, Multnomah, Tualatin, Tumwater, Wasco and many other tribes of the Willamette Valley and Western Oregon. We will never be able to name every tribe that visited or lived upon this land because these communities frequently traveled for trade and other reasons. The Indigenous people lived, traded and navigated along great rivers and tributaries presently named the Clackamas, Molalla, Pudding, Sandy, and Willamette. Many of the original inhabitants of this land died from disease, war and other conflicts. Those that survived these tragedies were forcibly removed and relocated by European settlers and the United States Government because of the land's value. Today, their descendants live on, still carrying on the traditions and cultures of their ancestors.

"We honor the Native American people of Clackamas County as a vibrant, foundational and integral part of our community here today. We respectfully acknowledge Wy'east, also known as Mount Hood, and Hyas Tyee Tumwater, also known as Willamette Falls, as sacred sites for many Native Americans. We thank those who have connection to this land and serve as stewards, working to ensure our ecosystem stays balanced and healthy." ³

² Clackamas County [Courthouse Project](#)

³ About [Clackamas County](#)

Revenues and Expenses

Why are Revenues and Expenses Important?

Revenues are necessary for a government to provide services to its residents. Diverse sources of revenue can help the county weather a downturn in the economy. Expenses are the government's cost of providing public services, not just what the government spent (expenditures) during the year. Some common expenses are salaries and wages, pension obligations, and asset depreciation. The county can have a balanced budget each year based on its anticipated resources and budgeted expenditures.

Total Revenues Greater than Expenses Result in Potential Savings

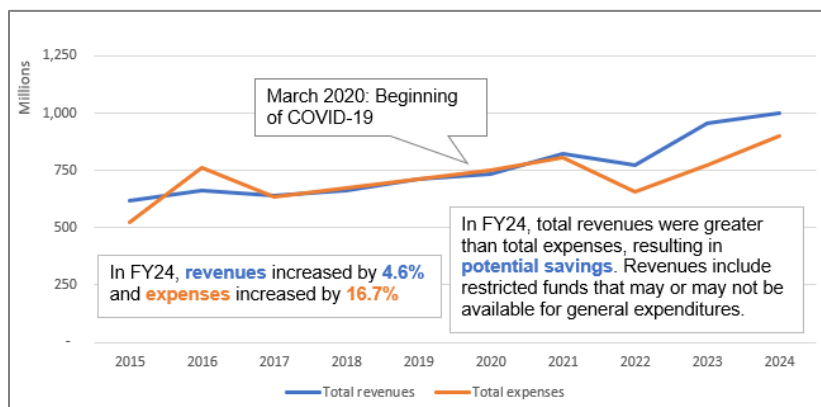


Figure 1 Revenues versus expenses (in millions, adjusted for inflation)

Potential savings represent the intentional efforts in creating capacity and ensuring future financial stability. Within the last ten years (FY15 to FY24), revenues increased by approximately \$381.2 million⁴ (adjusted for inflation). When compared to the previous year (FY23), revenues and expenses increased by approximately 4.6% and 16.7%, respectively (Figure 1).

Total revenues greater than expenses result in a revenue overage, and total expenses greater than revenues result in a revenue shortage. In FY24, revenues were approximately \$998.4 million and expenses were \$900.8 million (Figure 2). This resulted in a revenue overage that created capacity and supported intentional planning for the county's 30-year courthouse obligation. It should be noted that revenues can include funds that are restricted and may not be available for general expenditures. For more information about restricted fund balances, see the "Financial Health" section.

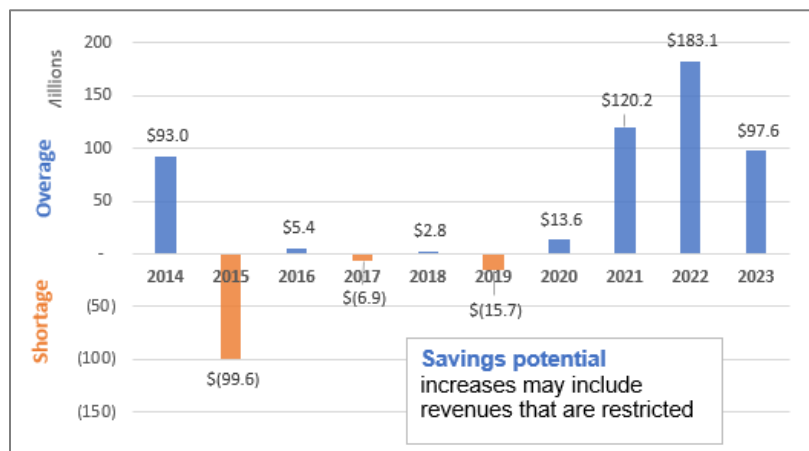


Figure 2 Revenue overages and shortfalls (in millions, adjusted for inflation)

⁴ Excludes legally separate, tax-exempt component units of Clackamas County

Where Does the Money Come From?

Diverse sources of revenue can help the county weather a downturn in the economy. Combined, grants and contributions and property taxes accounted for 74.2% of county revenue sources in FY24. In addition to these two largest revenue sources, the county receives revenues from charges for government services, charges for business services, lodging tax, and other miscellaneous sources. For the purposes of this report, revenues of discretely presented component units were excluded as the county has no financial benefit or burden relationship with the legally separated, tax-exempt component units⁵. Grants and contributions increased by 6.2% from the prior year and property taxes increased by 0.8%. Revenues in all other categories had an increase from the prior year (*Figure 3*).

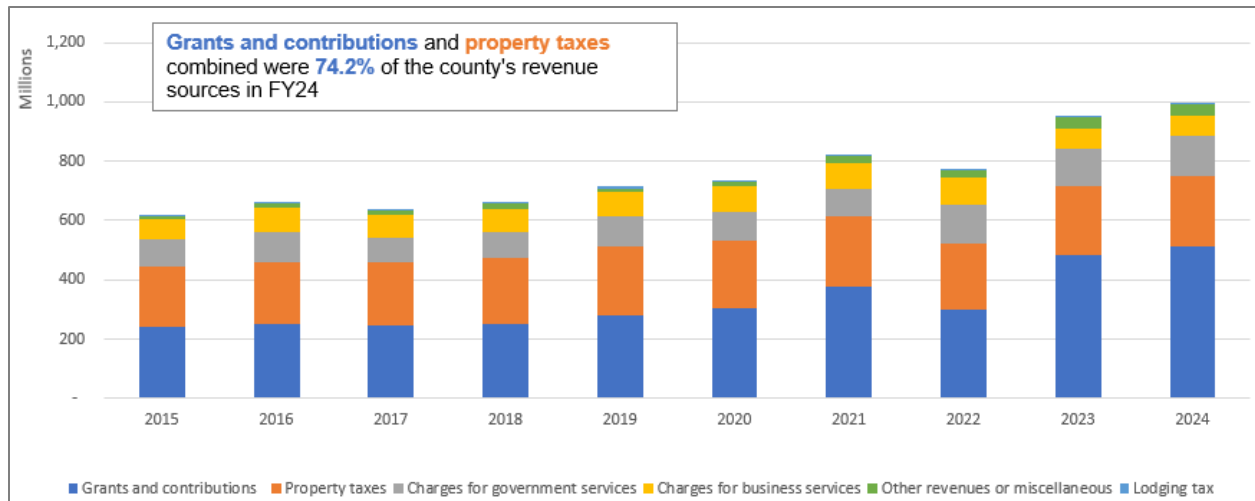


Figure 3 Revenues by source (in millions, adjusted for inflation)

Grants and contributions were the largest revenue source

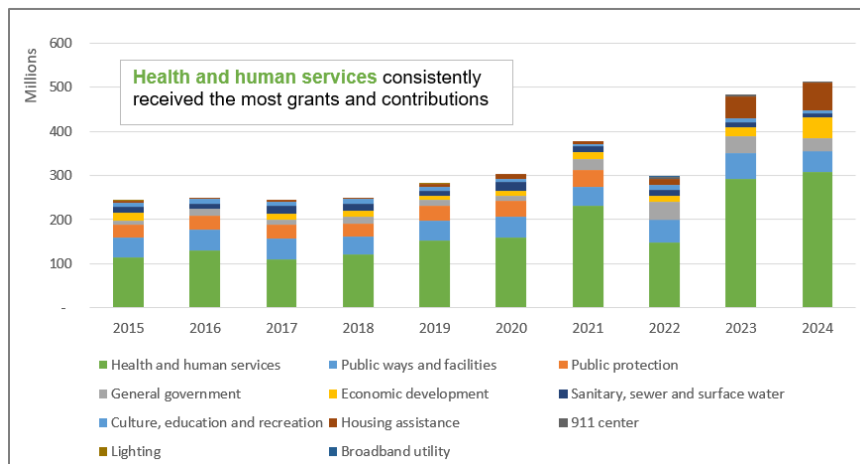


Figure 4 Grants and contributions (in millions, adjusted for inflation)

Grants and contributions were the largest revenue source for the county (*Figure 4*). These revenues included direct federal, state, and local funding, as well as federal funding passing through the state to the county. Many programs were supported by these revenues.

⁵ Clackamas County [Annual Comprehensive Financial Report](#) for the fiscal year ended June 30, 2024

COVID-19 assistance and relief funds received as a result of the state of emergency⁶ led to an increase in health and human services grants and contributions in FY21. Health and human services, public ways and facilities, and public protection combined consistently represent more than half of all grants and contributions (*Figure 5*).

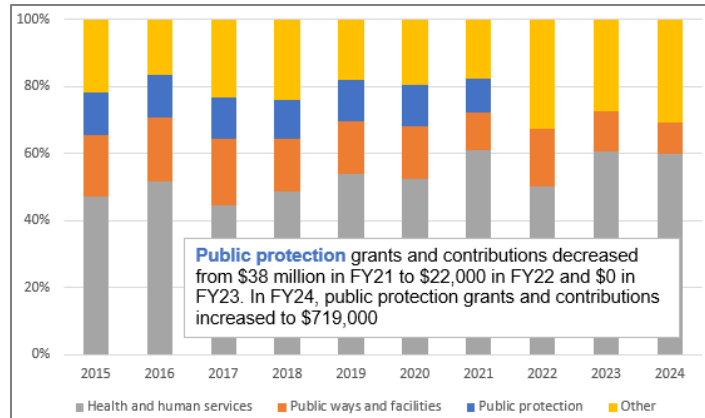


Figure 5 Percentage of grants and contributions by revenue source (adjusted for inflation)

In FY22, the county revised its funding structure and reporting classifications of public protection and general government funds. A portion of the public protection decrease can be attributed to the change in funding structure and classifications. Public protection grants and contributions were \$38.1 million in FY21 and decreased to \$22 thousand in FY22 and then \$0 in FY23. Revenues increased to \$0.7 million in FY24.

The county's general government reliance on grants and contributions can be represented by intergovernmental revenues as a percentage of total general fund revenues⁷. Intergovernmental revenues include all revenues from federal, state, and other local government sources and can come in the form of grants and contributions, shared revenues, etc. This percentage remained steady from FY15 through FY21. An increase of \$29.7 million in general fund intergovernmental revenues during FY22 resulted in a percentage increase from 4.7% of total general fund revenues to 16.0% before decreasing to 14.2% in FY24 (*Figure 6*).

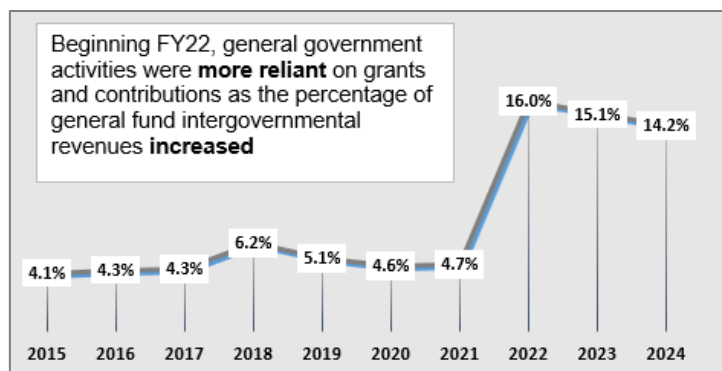


Figure 6 General fund intergovernmental revenues as a percentage of total general fund revenues

Property taxes average an annual 5.2% growth in the last 10 years

General government programs, as well as library services, were primarily supported by property tax revenues. In FY24, the county received approximately \$234.8 million in county property taxes⁸. In the last 10 years, the county received just over \$1.9 billion in county related property taxes. Since FY15, approximately 68.8% to 73.5% of county property taxes paid for general county services.

⁶ State of Oregon [Executive Order No. 20-03](#) signed on March 8, 2020

⁷ Total general fund revenues include property taxes, intergovernmental, charges for services, licenses and permits, fines, forfeitures and penalties, and miscellaneous.

⁸ Property tax revenue from component units and service districts excluded

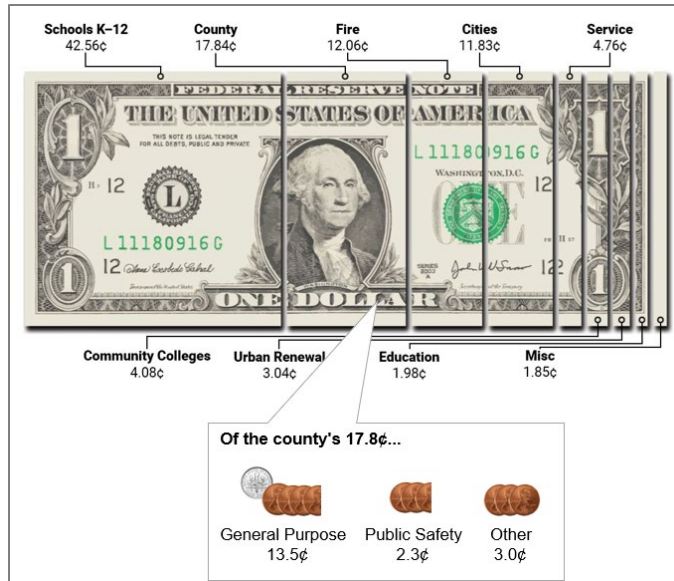


Figure 7 Programs funded with property tax revenue allocated to the county in FY24; dollar bill chart provided by Clackamas County Assessment & Taxation

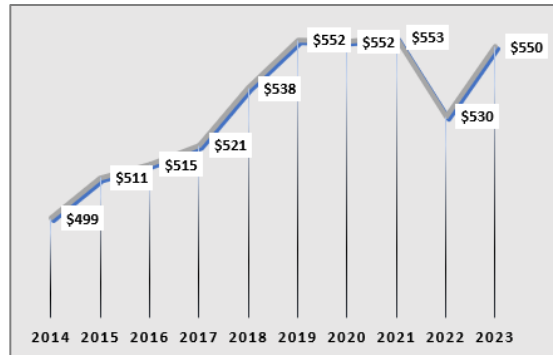


Figure 8 Property taxes collected per person (adjusted for inflation)

About 17.8% of property taxes collected within Clackamas County went to the county, and the remainder of property tax revenues were passed to schools and community colleges, fire districts, service districts, and more⁹. This meant for every dollar of property taxes, 17.8¢ went to the

county. Of that 17.8¢, about 13.5¢ were used for general purpose, 2.3¢ for public safety, and 3.0¢ for other services such as the library, parks and recreation, education outreach, and more (Figure 7). Property taxes collected per person¹⁰ averaged a two percent annual increase from FY15 though FY19 and had since held relatively steady at around \$510 per person since FY19 with the exception of a drop in FY22 (Figure 8).

Third largest revenue source was fees, fines and charges for services

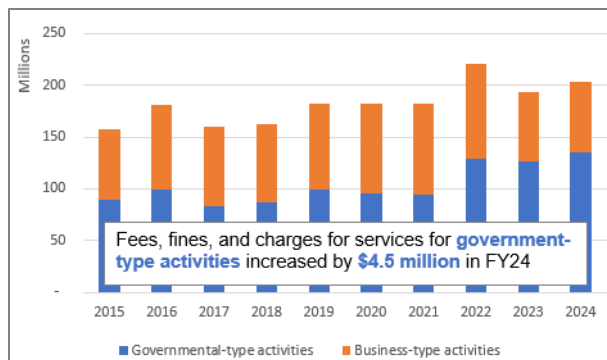


Figure 9 Government and business fees, fines, and charges (in millions, adjusted for inflation)

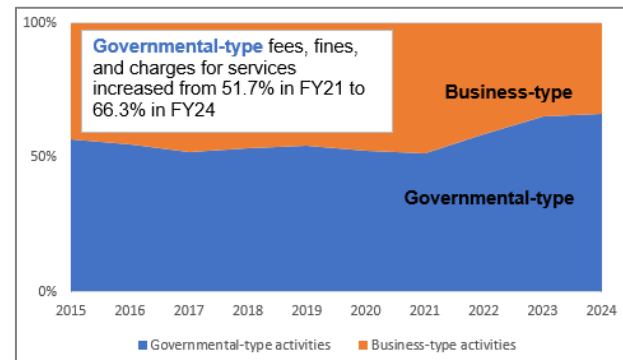


Figure 10 Government and business fees, fines, and charges percentages of total (adjusted for inflation)

Fees, fines and charges for services can be broken down into two categories: government-type and business-type activities. Each category accounts for roughly fifty percent of this revenue source though FY21 (Figure 9 and Figure 10). In FY24, fees, fines, and charges for services for governmental-type activities increased to 66.3% of the total.

⁹ Clackamas County [Assessment & Taxation](#)

¹⁰ Population per [U.S. Census Bureau](#) American Community Survey Demographic and Housing Estimates

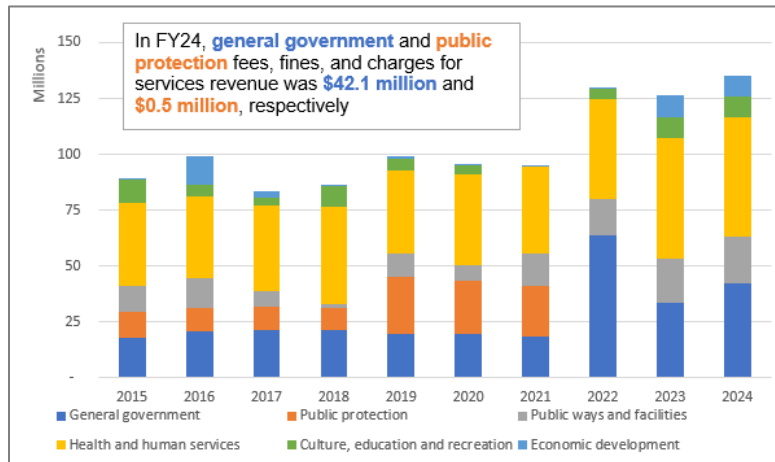


Figure 11 Government fees, fines and charges for services (in millions, adjusted for inflation)

exception of FY22 in which general government was the largest source of revenue (Figure 11). In FY22, a significant portion of the public protection revenue and expenditure was unintentionally regrouped and reported as part of the general government category. In FY24, general government increased by 26.2% from the prior year; all other categories had less than a 10.0% change.

Business-type activities are generally characterized by an exchange relationship manifested by user charges that may be based on the costs of providing a particular service. Some business-type activities receive significant operating subsidies, capital grants, or taxes from the general government, diminishing the role of costs in establishing users' charges.

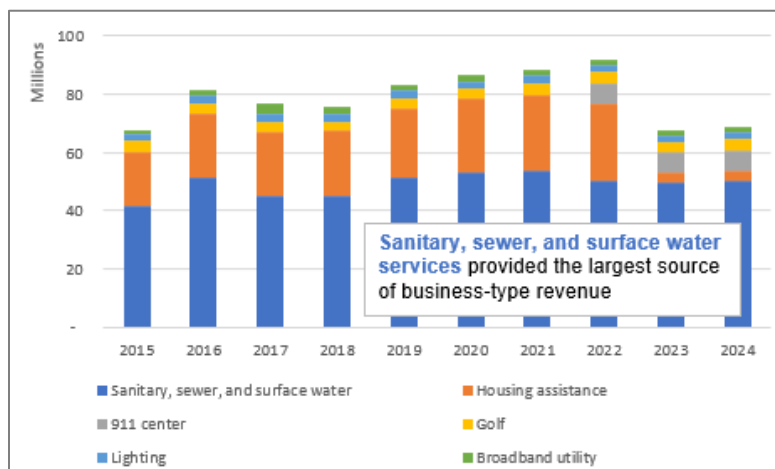


Figure 12 Business fees, fines, and charges for services (in millions, adjusted for inflation)

Governmental-type activities generally occur when no "exchange" relationship exists between resources provided and services received. For example, most individual property taxes do not pay for a specific service, even though individual taxes or portions of taxes are sometimes dedicated to particular activities.

Health and human services were the largest source of revenue for governmental-type activities in the last ten years with the

The total increase in business-type fees, fines, and charges for services revenue for FY24 was about 1.9%. Sanitary, sewer, and surface water and housing assistance programs generated 73.5% of total business-type fees, fines, and charges for services revenue (Figure 12). Housing assistance fees, fines, and charges revenue decreased from \$26.4 million in FY22 to \$3.2 million in FY24 (adjusted for inflation).

Where Does the Money Go?

Over a 10-year trend, health and human services and public protection expenditures combined have consistently represented the majority of total expenditures. The average annual increase for total expenditure was 6.2% from FY17 to FY21 and 17.3% from FY23 to FY24; in FY22, total expenditure decreased by about 18.9%, or approximately \$152.6 million. General government expenditure was \$70.1 million in FY21, \$228.7 million in FY22, \$83.3 million in FY23, and \$90.5 million in FY24 (adjusted for inflation). Public protection

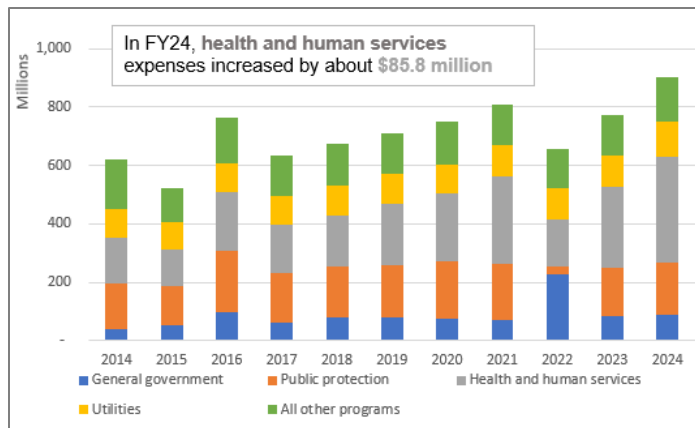


Figure 13 Expenditures by function excluding legally separate, tax-exempt component units of the County (in millions, adjusted for inflation)

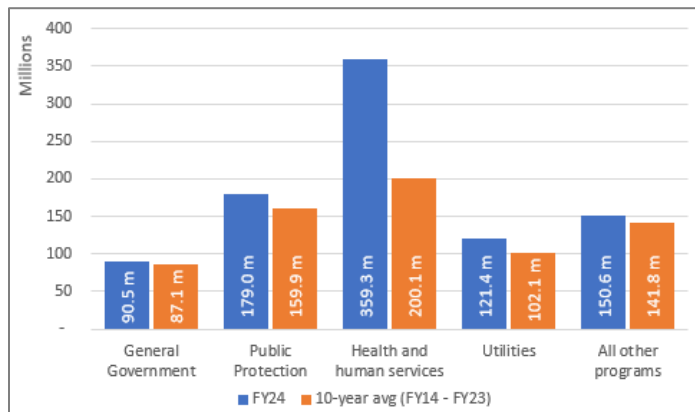


Figure 14 FY24 Expenses by function compared to 10-year average (in millions, adjusted for inflation)

expenditure was reported as \$192.0 million in FY21, \$23.3 million in FY22, \$167.7 million in FY23, and \$179.0 million in FY24¹¹ (Figure 13). In FY22, a significant portion of the public protection expenditure was unintentionally regrouped and reported as part of the general government category.

Of the total expenditures¹² in FY24, health and human services represented 39.9% (\$359.3 million), public protection represented 19.9% (\$179.0 million), and general government represented 10.0% (\$90.5 million). Health and human services expenditures continue to represent the largest spending function (Figure 14).

Public protection expenditures were relatively consistent with the exception of a reporting issue in FY22

Public protection expenditures included activities to support the Sheriff's Office, Juvenile department, District Attorney's Office, Disaster Management, the Law

Library, Public Safety Local Option Levy, and more. Public protection expenditures for the Sheriff's Office are for operating the county's jail and providing patrol, investigation, and civil processing services to incorporated and unincorporated areas of Clackamas County. The Public Safety Local Option Levy, renewed in May 2021, helps fund additional jail beds and deputies. The Juvenile Department provides supervision of juvenile offenders in the community. The District Attorney's Office prosecutes offenders and protects crime victims. The county's Justice Court generally has jurisdiction over misdemeanors and violations sited to its court.

Beginning FY22, several funds were grouped into the General Fund: Sheriff Fund, District Attorney, Juvenile, Justice Court, and Disaster Management. Under the new public protection fund structure and classification, FY23 and FY24 public protection expenditures were reported in the following funds: general fund, sheriff's operating levy, enhanced law

¹¹ Expenditures by function as detailed in Figure 13 were based on government-wide financial statements (i.e., Statement of Activities) that use the accrual basis of accounting. Public protection expenditures detailed in Figure 15 and Figure 16 were based on fund financial statements that uses the modified accrual basis of accounting. As such, noted expenditure values are different.

¹¹ Clackamas County [Health Centers](#)

¹² Excludes legally separate, tax-exempt component units of Clackamas County

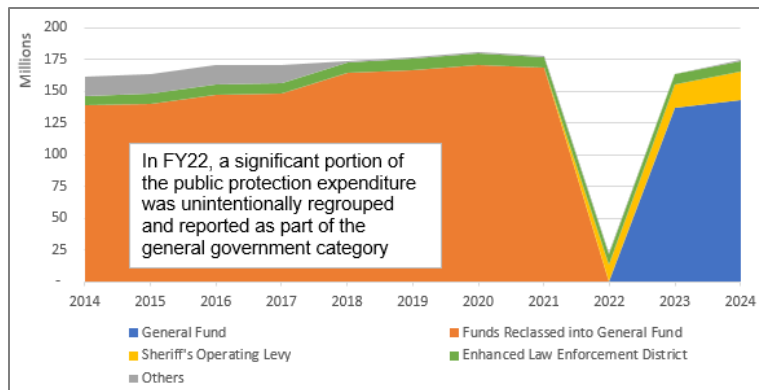


Figure 15 Public protection expenditures by fund (in millions, adjusted for inflation)

enforcement district, law library fund, inmate welfare special fund, and the Clackamas County Sheriff's Office forfeitures fund.

Total reported public protection expenditure was \$177.4 million in FY21, \$22.1 million in FY22, \$163.4 million FY23, and \$174.9 million in FY24¹³. In FY22, a significant portion of the public protection expenditure was unintentionally regrouped and

reported as part of the general government category (Figure 15). As shown in Figure 13, the total general government and public protection expenditures remain relatively consistent with a combined total of \$262.1 million in FY21, \$252.0 million in FY22, \$251.0 million in FY23, and \$269.5 million in FY24.

Health and human services expenditure continued to trend upwards

County Health Centers include medical and dental clinics, public health services, school-based clinics, and other health care and education services for the community. The Social Services division provides assistance to seniors, people with disabilities, veterans, and low-income residents of the county. Behavioral Health provides mental health and addiction treatment services. Public Health handles infectious disease control and prevention, healthy places, access to care, environmental health, and more. Children, Family & Community Connections promotes wellness and positive outcomes for county children and families. The mission of the Community Development division is to strengthen and improve neighborhoods throughout the county through the use of federal grants.

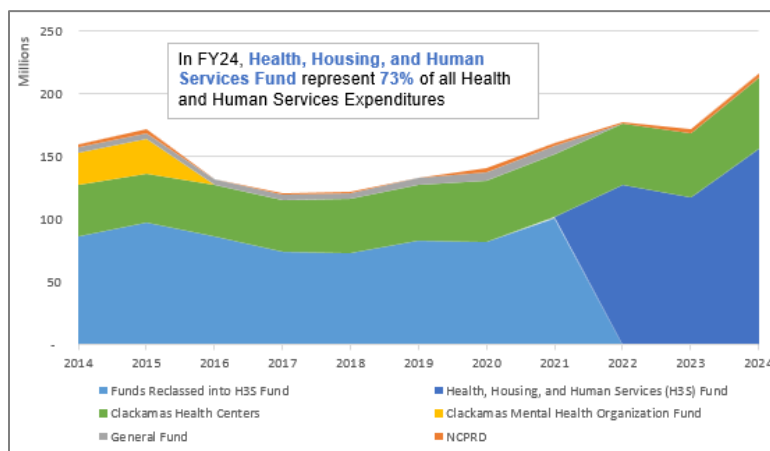


Figure 16 Health and Human Services expenditures by funds (in millions, adjusted for inflation)

Due to the change in funding structure and classification beginning in FY22, the aforementioned divisions (i.e., behavioral health, social services, public health, etc.) were consolidated into the Health, Housing, and Human Services (H3S) Fund. Total health and human services expenditures continued to trend upward with \$161.4 million in FY21, \$177.8 million in FY22, \$171.5 million in FY23, and \$216.3 million in FY24 (Figure 16).

¹³ Public protection expenditures detailed in Figure 15 and Figure 16 were based on fund financial statements that uses the modified accrual basis of accounting. Expenditures by function as detailed in Figure 13 were based on government-wide financial statements (i.e., Statement of Activities) that use the accrual basis of accounting. As such, noted expenditure values are different.

Internal service fund expenditures have steadied

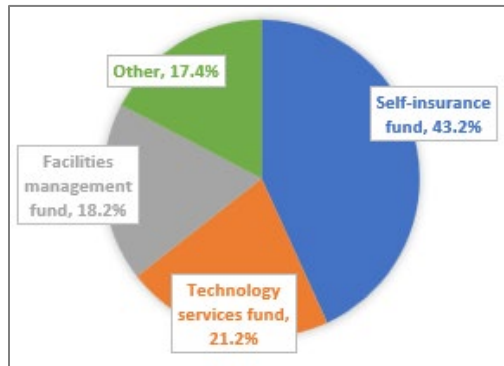


Figure 17 Internal service fund expenditures major program percentages in FY24

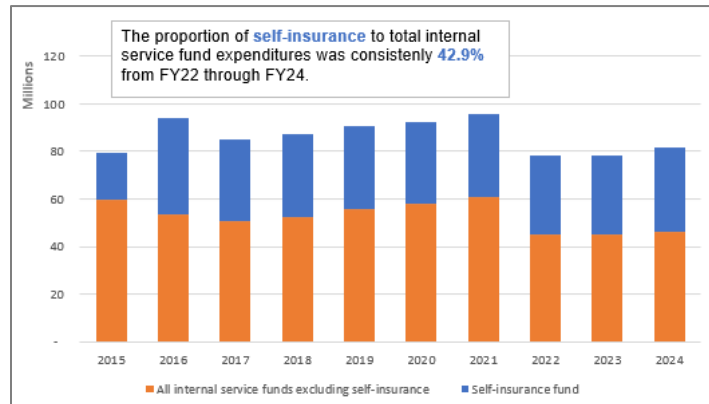


Figure 18 Internal service fund expenditures (in millions, adjusted for inflation)

Internal service funds account for services and activities provided by the county for other units primarily within the county (e.g., Human Resources, Finance, etc.). Self-insurance cost accounted for the dental and short-term disability self-insured programs, employee assistance and wellness activities, and flexible spending accounts for health care and dependent care expenses.

In FY24, self-insurance costs were \$35.2 million and represented 43.2% of all internal service costs. Technology services and facilities management were the next two largest costs (Figure 17). Removing the impact of the self-insurance fund, internal service costs remained relatively proportionate since FY17 with an average 4.7% increase from FY18 through FY21 and then steadied beginning FY22 (Figure 18).

Number of county employees remained near five per 1,000 residents

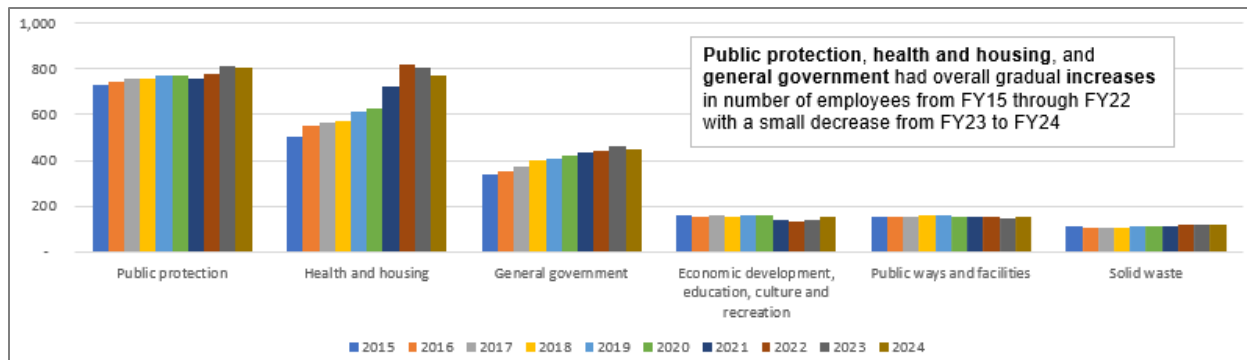


Figure 19 Number of FTE by area of government (does not include temporary employees)

The number of county employees and the county overall population both increased, on average, 2.2% annually for the last 10 years. While the distribution of employees among county programs and areas of government fluctuated (Figure 19), the county maintained an average relationship of 5.3 employees to 1,000 county residents since 2014. At the end of 2023, the county employed about 5.9 employees per 1,000 County residents (Figure 20). The fluctuations in the number of full-time equivalent employees over the years reflect the

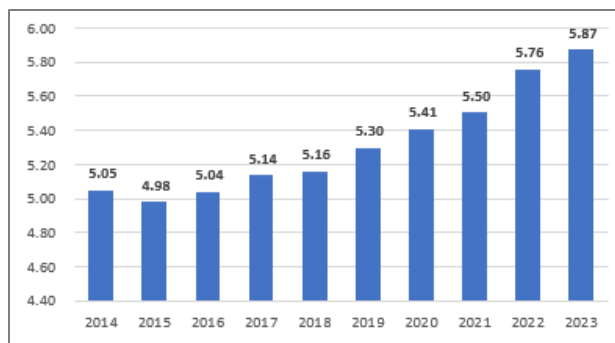


Figure 20 County employees per 1,000 county

county's response to changes in economic factors, funding availability, and the demand for county services.

Employee wages, benefits, and other costs continued to increase

As the number of employees increased, workforce compensation expenses also increased. Since FY13, annual increase in wages averaged 1.8%, PERS increase averaged 6.4%, taxes averaged 1.9% increase, fringe benefits averaged a 0.7% increase, and other benefits were held relatively stable with a 5.8% increase in FY24 (Figure 21). In FY24, wages and benefits costs totaled approximately \$359.7 million. On average, benefits and other costs accounted for 38.2% of total workforce compensation expenses. PERS cost and fringe benefits represented majority of these costs (Figure 22).

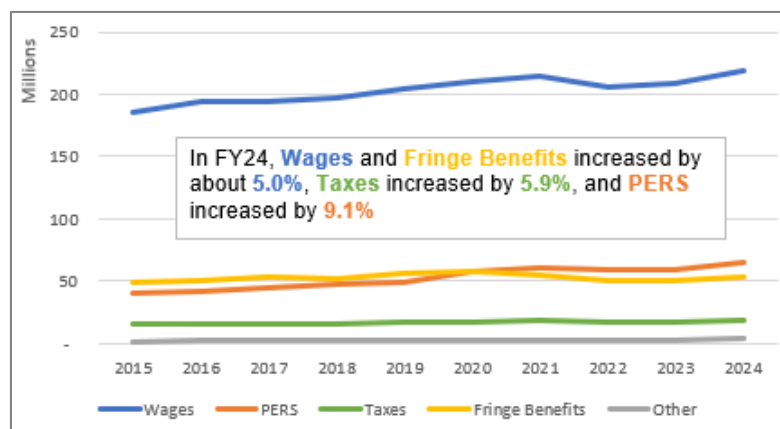


Figure 21 Wages, benefits and other costs (in millions, adjusted for inflation)

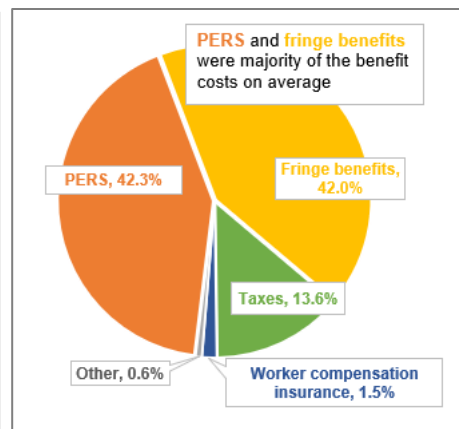


Figure 22 Benefits and other costs FY15 to FY24 average percentage

Savings potential has increased since FY21

Potential savings represent the intentional efforts in creating capacity and ensuring future financial stability. Revenue per capita measures the average revenue earned by the county per person in the county. Expense per capita is the average amount of government spending by the county to provide services to county residents. Since FY21, revenue per capita was greater than expense per capita which led to an increased capacity to intentionally plan for future obligations. From FY22 to FY23, the revenue per capita increased by 23.2% and the expense per capita increased by 17.9% (Figure 23).

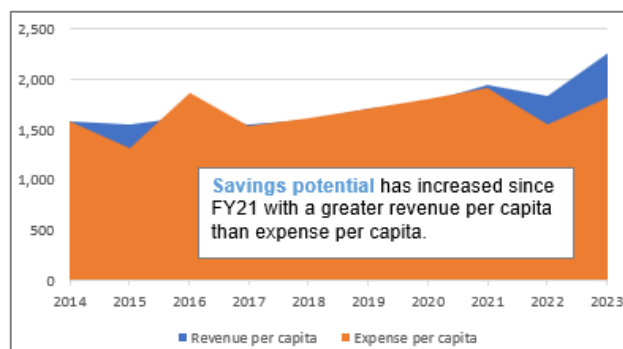


Figure 23 Expenses and revenues per capita (in dollars, adjusted for inflation)

Long-Term Debt

Long-Term Debt Structure

The issuance of long-term debt allows a county to acquire major assets and finance large projects such as buildings, bridges, roads, and jails. The increase in the amount of debt to repay, however, limits the county's ability to react to current economic conditions. Individual state agencies may issue debt for specific purposes pursuant to law, but the total amount of debt a county may incur is generally limited by Oregon state law.

The county's outstanding debt falls into three broad categories

Full Faith and Credit bonds (FFCB) – bonds issued to finance major construction projects. The bonds are backed by the full faith and credit of the county, within the limitations of Article XI of the Oregon Constitution, and are to be repaid from existing revenue sources.

Revenue bonds – bonds issued to finance major construction projects in business-type activities and to pay for projects with specific revenue sources for repayment.

General Obligation (GO) bonds – bonds issued to finance major construction projects in governmental activities. These bonds are general obligations of the county and are also backed by the full faith and credit of the county. Annually, the county will levy to repay these general obligations in addition to other taxes¹⁴.

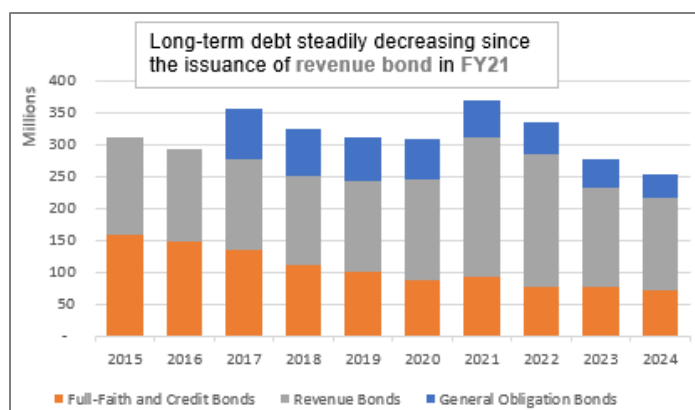


Figure 24 Long-term debt (in millions, adjusted for inflation)

The county's long-term debt had steadily decreased until the GO Bond Series 2016A and 2016B were issued in FY17 for the replacement of the Clackamas 800 Radio Groups' emergency communications system and existing radio coverage expansion. In FY21, Water Environment Services Revenue Obligations Series 2021 were issued in the amount of \$40 million to finance capital projects and fund a debt service reserve for the obligations. (Figure 24).

Independent assessments of the county's debt health are regularly performed by credit agencies prior to a bond issuance. The county's credit rating continued to improve since the FFCB issue in 2012 when the rating was Aa2 by Moody's. Moody's assigned an Aaa rating, its highest, to the Full Faith and Credit and Refunding Obligations, Series 2020. Moody's also maintained Aaa rating on the county's general obligation unlimited tax bonds and the parity Full Faith and Credit obligations, and a Aa2 ratings on the county's Multifamily Housing Revenue Bonds, Series 2013A (Easton Ridge Apartments Project).

¹⁴ Other taxes include ad valorem (general) property taxes, which is a district tax upon all of the taxable property within the County

Total debt per capita has decreased since FY21

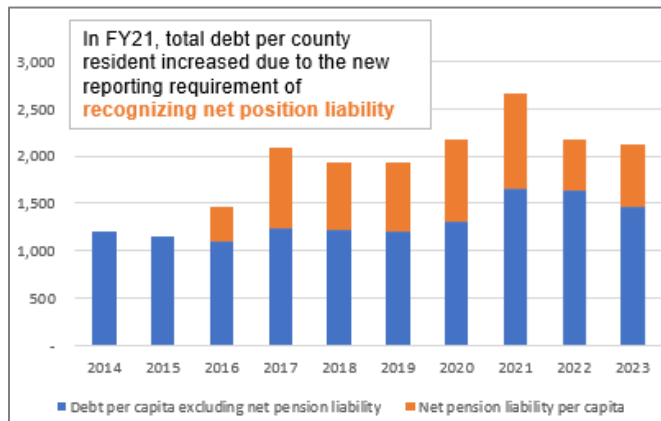


Figure 25 Total debt per county resident (in dollars, adjusted for inflation)

Total debt per capita is the amount of total debt the county has per person living in the county. The amount of debt per county resident fluctuated over the years. With the exception of the increase from FY15 to FY16, most increases were associated with bond issuances. The increase in FY16 was mainly attributed to GASB¹⁵ Statement No. 68 and 71, which required the net pension liability be reported on the Statement of Net Position as a noncurrent liability, increasing liabilities in 2016 by \$111 million. Net pension liability represented 31.6% of total FY23 debt

(Figure 25). These GASB requirements and the *Moro v. State of Oregon* decision also affected pension expense.

Percentage of spending used for debt below benchmark

The amount of total county spending used for debt principal and interest payments as compared to net operating revenues trended downward through FY23 with an increase in FY24. Each year, total spending on debt was below 10%¹⁶ of net operating revenues, which is considered acceptable and well below a 20%¹⁷ warning threshold (Figure 26).

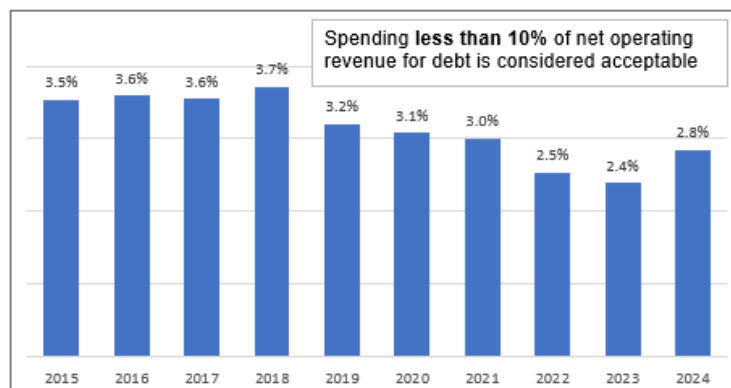


Figure 26 Debt service as a percentage of net operating revenues

¹⁵ Government Accounting Standards Board

¹⁶ Evaluating Financial Condition - A Handbook for Local Government; International City/County Management Association (ICMA), Copyright 2003, Page 83

¹⁷ Per ICMA, debt service on net direct debt exceeding 20 percent of operating revenues is considered a potential problem

Financial Health

Governmental Fund Balance

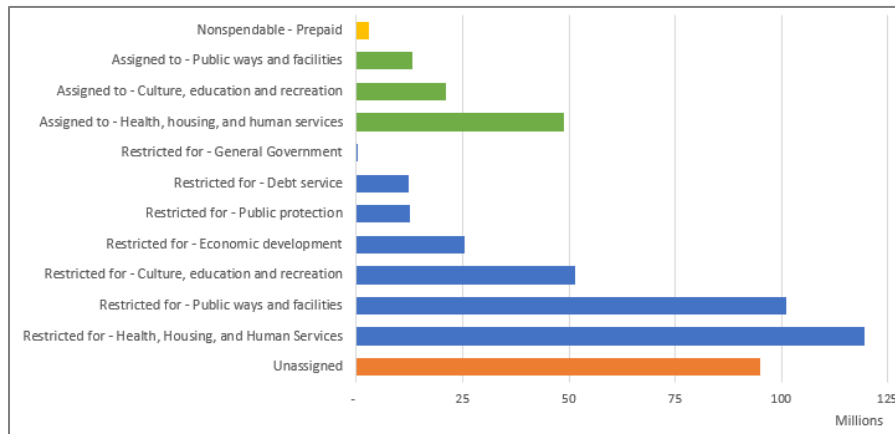


Figure 27 Governmental fund balance in FY24 (in millions)

The county budgets on an annual basis. Accounting standards require governments to report fund balances based upon constraints on the use of the resources reported in the governmental funds (Figure 27). The five fund balance classifications are nonspendable,

restricted, committed, assigned and unassigned. Nonspendable balances are things like inventories. Restricted fund balances identify constraints imposed by state or federal law, the Oregon Constitution, or external parties such as creditors or grantors. Committed balances are constrained through the legislative process. Assigned balances reflect the county's intent to use the funds for specific purposes. Unassigned balances are amounts not otherwise restricted, committed or assigned.

In FY23, the county entered into an agreement for the construction of a new courthouse¹⁸ using a public-private partnership. The project value is approximately \$313 million, and the county's share will be paid over 30 years averaging \$15 million annually; payments are expected to start in FY25. Future financial condition analyses will incorporate these future transactions.

Unrestricted general fund balances had increased

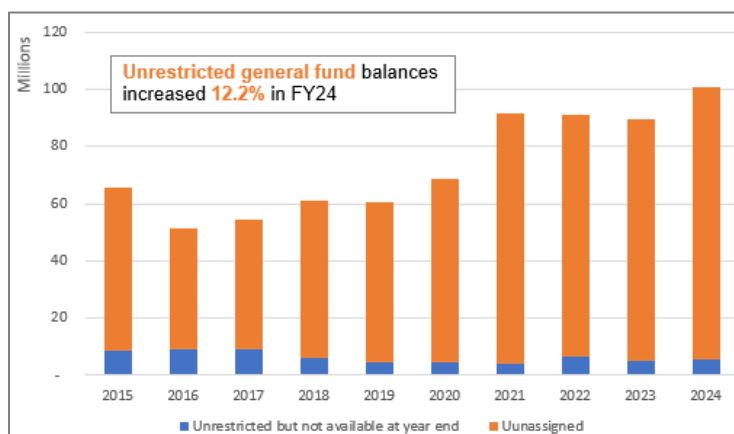


Figure 28 General fund unrestricted balances (in millions, adjusted for inflation)

Unrestricted balances can include unavailable revenue, which are considered unavailable at fiscal-year end and are classified as a receivable due to a delay of when cash is received. Excluded from the balances are items that are considered restricted, assigned, committed, or nonspendable as they are not available for discretionary spending. Since FY15, unrestricted general fund balances have increased by 66.0% (Figure 28).

¹⁸ Clackamas County [Courthouse Project](#)

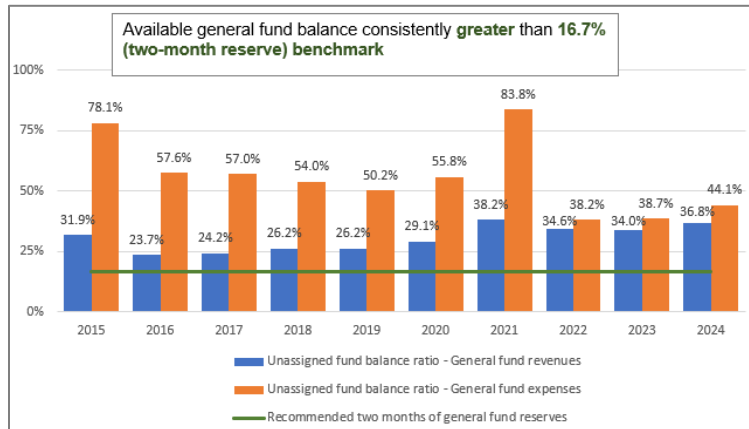


Figure 29 General fund unassigned balances as percentages of general fund revenues and expenses

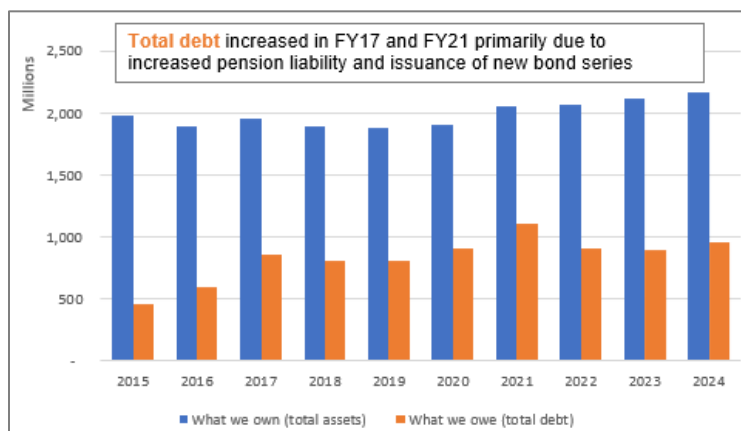


Figure 30 Total assets (net of depreciation) versus total debt (in millions, adjusted for inflation)

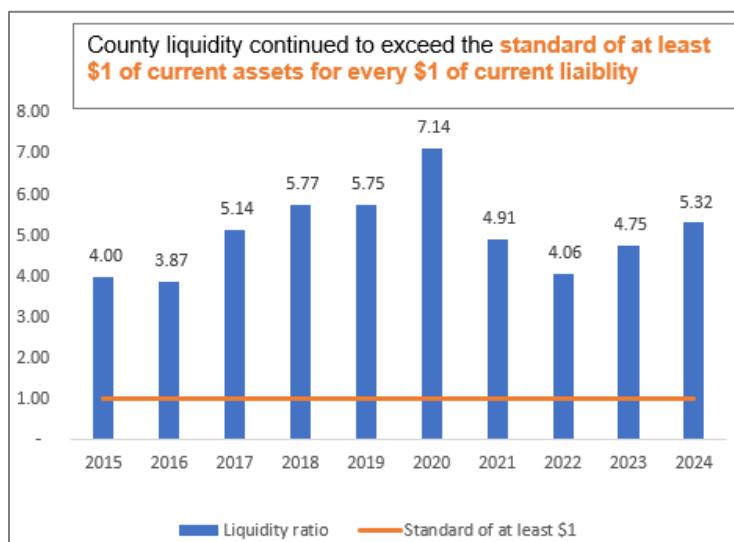


Figure 31 Liquidity ratio

General fund balance ratio

Fund balance ratios recognize discretionary funds and the county's ability to address one-time funding needs. The Government Finance Officers Association recommends a benchmark of 16.7% (two months) or greater of general fund reserves¹⁹. The county has consistently met and exceeded this standard for both general fund revenue and general fund expense fund balance ratios for the last ten years (Figure 29).

What We Own Versus What We Owe

Evaluating the short-term and long-term relationships between what is owned and what is owed is critical (Figure 30). The long-term assets to debt ratio remains relatively stable since FY22.

Liquidity remained positive

Liquidity is measured by a ratio of current assets to current liabilities. Current assets are those that can be converted into cash or used within 12 months. Current liabilities are bills the county intends to pay within 12 months. A low ratio, below \$1 of assets to \$1 of liabilities is a warning trend. It may indicate a cash flow problem. County liquidity had stayed above the 1:1 recommended ratio for the last ten years (Figure 31).

¹⁹ [Government Finance Officers Association Fund Balance Guidelines for the General Fund](#)

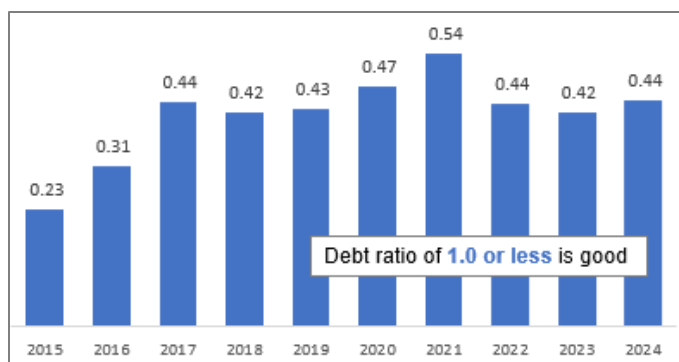


Figure 32 Debt ratio

Debt ratio remained below warning trend

The debt ratio compares total debt to total assets, measuring the proportion of the county's assets financed through debt. The credit industry considers a debt ratio of 1.0 or less to be acceptable. With an averaged debt ratio of 0.46 between FY17 and FY22, Clackamas County has exceeded the industry standard in the last ten years (Figure 32).

Capital Assets Are Getting Old

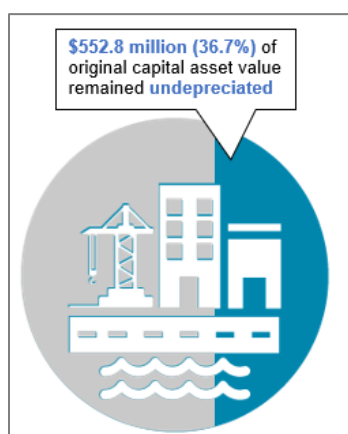


Figure 33 Original value of capital assets (government & business-type activities) being depreciated in FY24: \$1.5 billion

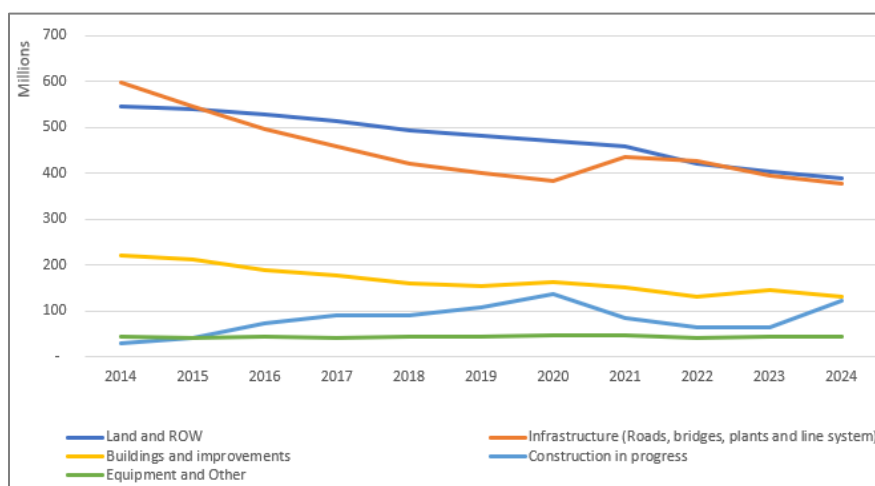


Figure 34 Depreciable capital assets, net of accumulated depreciation, and non-depreciable capital assets (in millions, adjusted for inflation)

The county uses physical infrastructure (capital assets), such as streets and buildings, to provide services. The condition of these assets impacts the quality of services residents receive. Good asset management requires investment in regular, preventive maintenance. This increases the life of the asset and reduces costs. Lack of preventative maintenance risks early asset failure and increased expenditures.

Capital assets include land, buildings, equipment, and infrastructure used for county services. Infrastructure includes roads and bridges. Accounting standards require assets to be reported in financial statements at their original cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciable assets are shown net of accumulated depreciation (Figure 34). Non-depreciable assets include land, right-of-way, and construction in progress. Nearly all asset categories had a steady decline in value. The original cost of the county's capital assets is \$1,506.3 million. Approximately 36.7% remains unde depreciated (Figure 33).

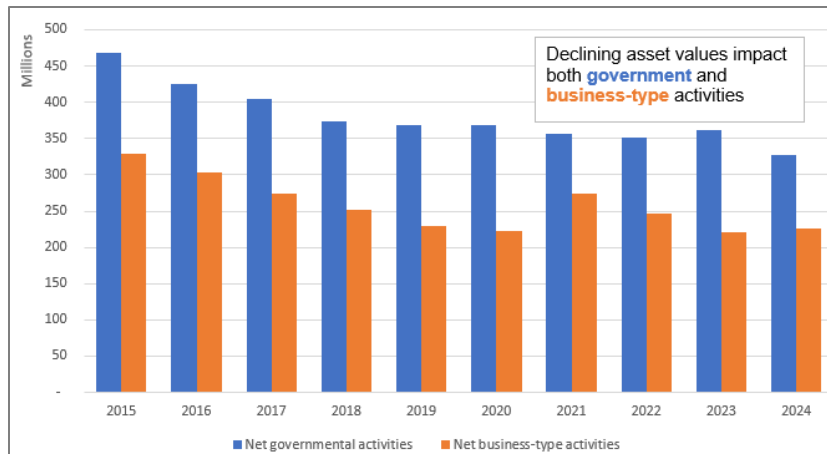


Figure 35 Depreciable capital assets, net of depreciation by activity, and non-depreciable capital assets (in millions, adjusted for inflation)

Aging county assets put the county at risk for significant replacement or repair costs, or service disruptions for both government and business-type activities (Figure 35).

The County's Net Position has been Fluctuating

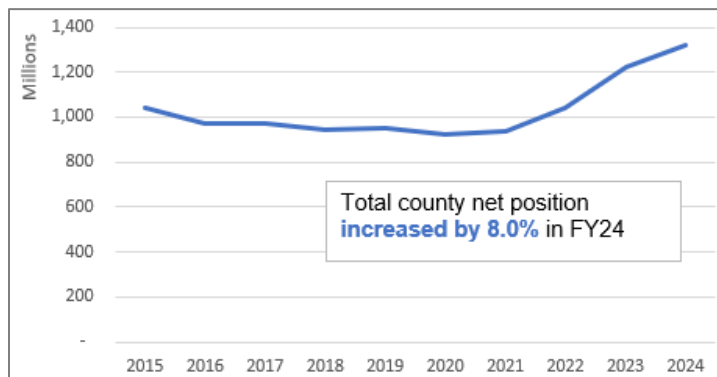


Figure 36 Net position (in millions, unadjusted)

Net position is the difference between what a government owns and what it owes. A change in net position indicates whether the county's financial position improved or declined based on the decisions and actions from the previous year. Between FY15 and FY21, the county's net position for the primary government was slowly decreasing. Some of the reasons for the decline in net position were outside of the county's control.

For example, part of the decline was because of changes in policy and assumptions for the state retirement system, PERS. Factors that were the county's responsibility include the inability to make repairs faster than the decline of assets, such as streets, buildings, and other infrastructure.

From FY21 to FY24, the county's net position increased by 41.3%, or \$933.6 million to \$1,319.2 million (Figure 36). One reason for this was because total revenues continued to be greater than expenses since FY21, which contributed to the net position slowly increasing after a decline from FY16 through FY20.

Demographics

Why are Demographics Important?

Economic and demographic information highlights community needs and resources. Federal and state governments can use some of these indicators as the basis to allocate funding for services.

Population increased in recent years

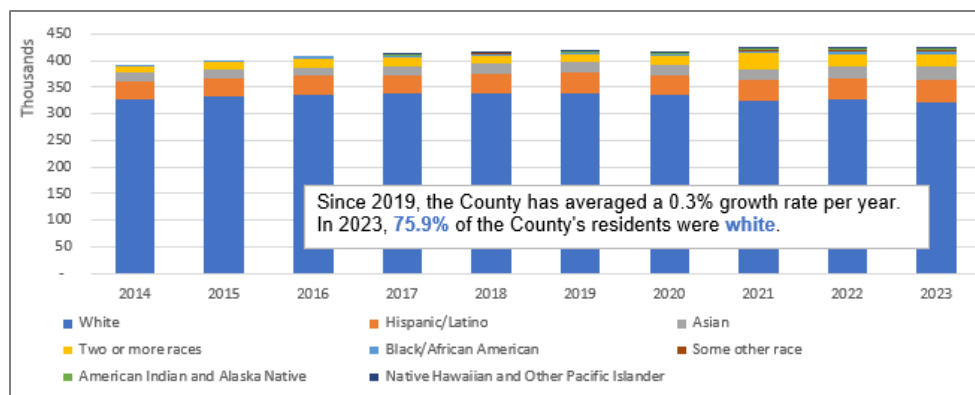


Figure 37 County population (in thousands)

The county's population increased from 392,997 in 2014 to 423,173 in 2023, a 7.7% increase²⁰. In the last five years, the county's population had averaged 0.3% growth per year.

According to the most recent census data²¹, the top five fastest growing cities²² in Oregon (by percent, not count) from 2020 to 2023 are: Estacada (32.0%), Wood Village (14.8%), Redmond (14.8%), Cornelius (13.3%), and Happy Valley (12.9%).

In 2023, 75.9% of the county's residents were white (Figure 37)²³. Majority of the county's population were between the ages of 25 and 64 (Figure 38). From 2014 to 2023, the percent of residents ages 65 and older had increased by 35.6% (Figure 39).

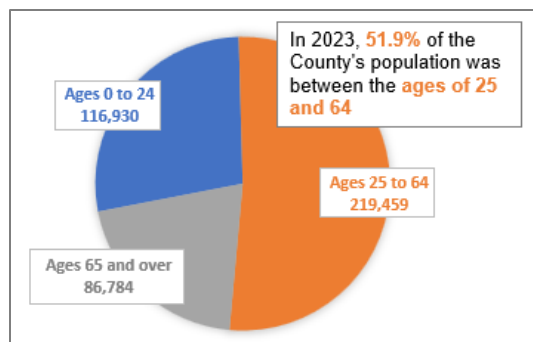


Figure 38 County population by age in 2023

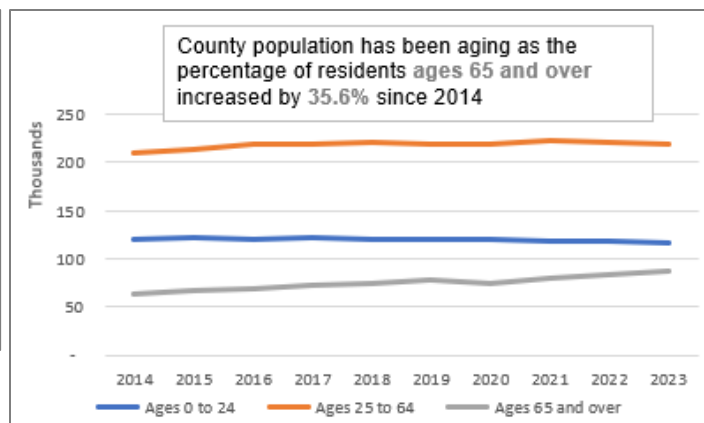


Figure 39 County population by age, 2014 to 2023 (in thousands)

²⁰ U.S. Census Bureau American Community Survey Demographic and Housing Estimates

²¹ Portland State University Population Research Center: [Population Estimate Reports](#), April 2024

²² Analysis performed only over cities in Oregon with a population over 5,000. 81 cities were included in this analysis

²³ U.S. Census Bureau data for 2020 was based on a 5-year estimate; all other years were based on 1-year estimates

Poverty remained low in the county

The poverty percentage indicator measures the number of low-income residents who might utilize county human services and health programs. The poverty line is defined as the minimum level of income necessary to achieve an adequate standard of living.

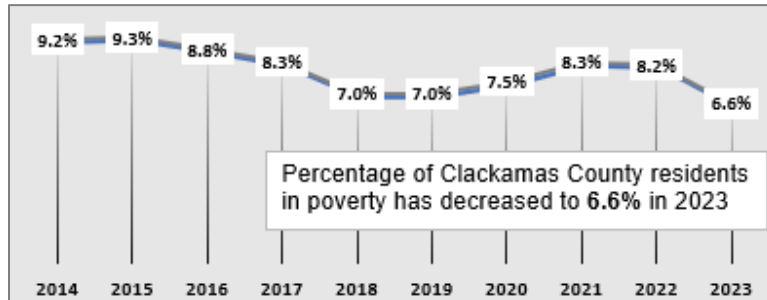


Figure 40 Percentage of county residents experiencing poverty

In 2024, a family of four with two children under two and a gross yearly income of \$31,812 or less would be considered living in poverty²⁴. In 2023, Clackamas County had the lowest poverty level in Oregon for families at 4.3% and lowest poverty level by population at 6.6% (Figure 40).

The percentage of residents in poverty for the age category 65 and older remained relatively stable, averaging 7.5% in the last five years. The percentage of residents in poverty for the age category zero to 17 had decreased from 9.9% in 2022 to 5.7% in 2023 (Figure 41).

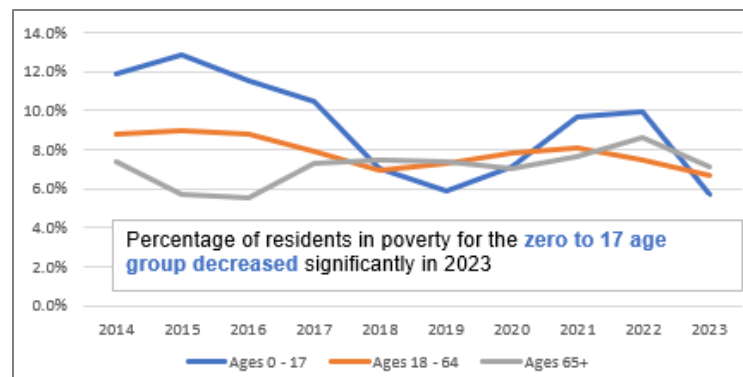


Figure 41 Percentage of county residents experiencing poverty, by age

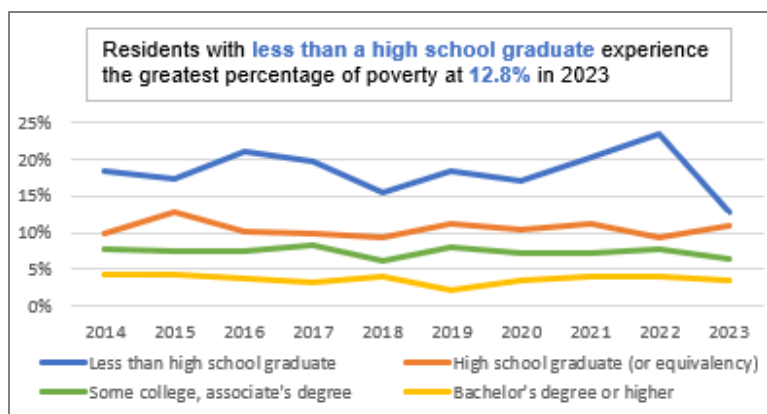


Figure 42 Percentage of county residents experiencing poverty by education level

The percentage of county residents in poverty by education level remained relatively consistent over the last ten years with the exception to residents with less than a high school graduate with a rate dropping from 23.4% in 2022 to 12.8% in 2023 (Figure 42).

²⁴ U.S. Census Bureau [Poverty Thresholds](#), 2024

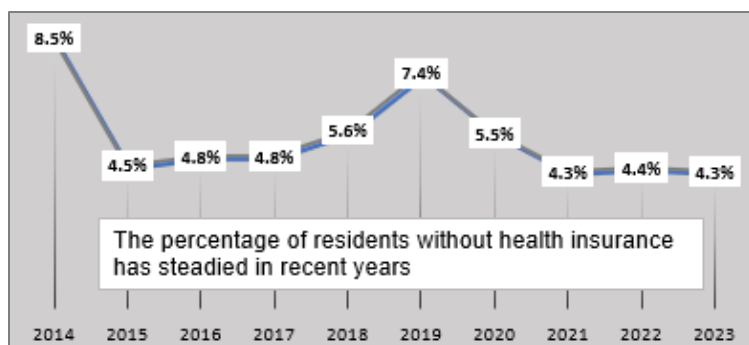


Figure 43 Percentage of county residents without health insurance

The percentage of residents without health insurance has steadied beginning 2021

The county provides low-cost healthcare to underserved, low-income and uninsured residents of Clackamas County. The percentage of uninsured county residents continued to trend downwards (Figure 43).

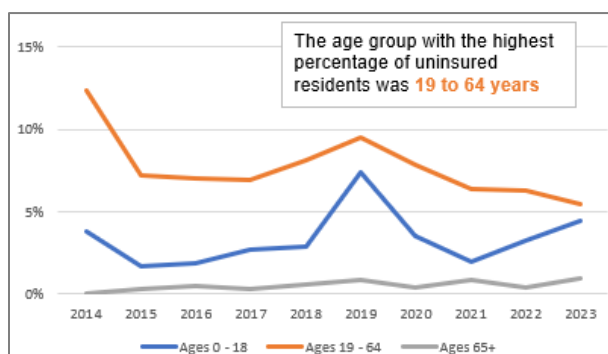


Figure 44 Percentage of residents without health insurance, by age

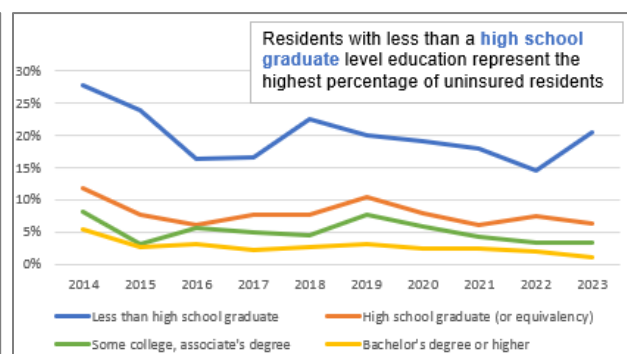


Figure 45 Percentage of residents without health insurance, by education level

Residents between the ages of 19 and 64 represent the age group with the highest percentage of uninsured residents, followed by children under the age of 18 (Figure 44)²⁵. The percentages of both residents under the age of 18 and above the age of 65 have increased in the last two years.

County residents with less than a high school graduate education represent the highest percentage of uninsured residents with an increase from 14.6% in 2022 to 20.4% in 2023 (Figure 45). All other categories had a general trend of a percentage of residents without insurance.

²⁵ The US Census Bureau changed the age groups categories in 2017. Age groups changed from 0-17 to 0-18, and 18-64 to 19-64. Figure 44 represents the updated categories.

Economy

Unemployment rates declined after peaking in 2020

According to the Oregon Office of Economic Analysis²⁶, the outlook on the state's economy appears to have lost momentum relative to the nation. At the start of 2024, economic growth decelerated more sharply at the state level resulting from weak population growth and other microeconomic factors. In some areas, the county is doing relatively better compared to the state or nation such as the unemployment rates and per capita income.

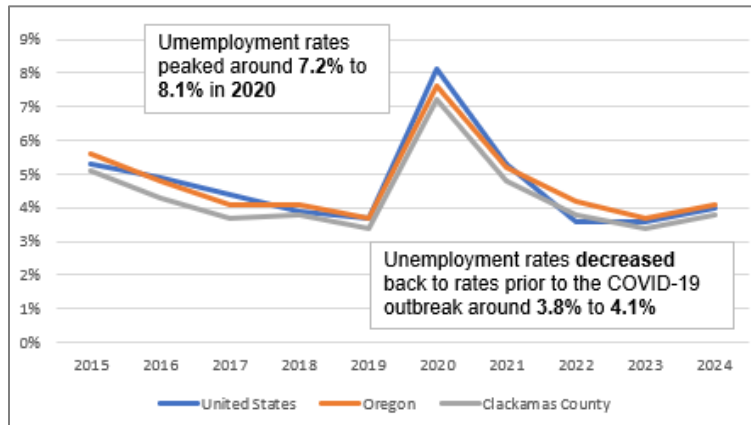


Figure 46 Unemployment rate (seasonally adjusted, calendar year ended December 31)

The unemployment rate measures those who are without employment and are actively seeking employment. The county's unemployment rate has been on a decline since a spike in 2020, which corresponded to the outbreak of COVID-19. County unemployment rates have gone down from 7.2% in 2020 to 3.8% in 2024 (Figure 46), which is slightly below the Oregon rate of 4.1% and below the United States rate of 4.0%.

As of December 2024, Wheeler and Hood River counties have the lowest rates in Oregon at 3.1% and 3.3%, respectively. Grant County, Grants Pass County, and Josephine County have the highest rates of 6.1%, 5.6%, and 5.6%, respectively.²⁷

Per capita income continued to steadily grow

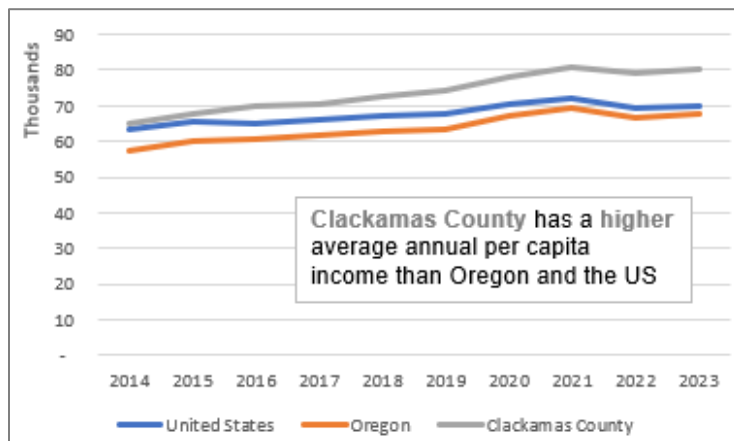


Figure 47 Average annual per capita income (in thousands, adjusted for inflation)

Per capita income is considered a major indicator of economic health. Per capita income measures the average income earned per person in the county. From 2014 to 2023, the average annual per capita income in Clackamas County increased by 23.8%. Per capita income in the county was higher than Oregon and the US (Figure 47).

²⁶ Oregon Department of Administrative Services, Office of Economic Analysis, [Economic and Revenue Forecasts](#) (March 2025)

²⁷ Oregon Employment Department, Local Area Unemployment tool, [Qualityinfo.org](#)

The number of businesses in Clackamas County continued to grow

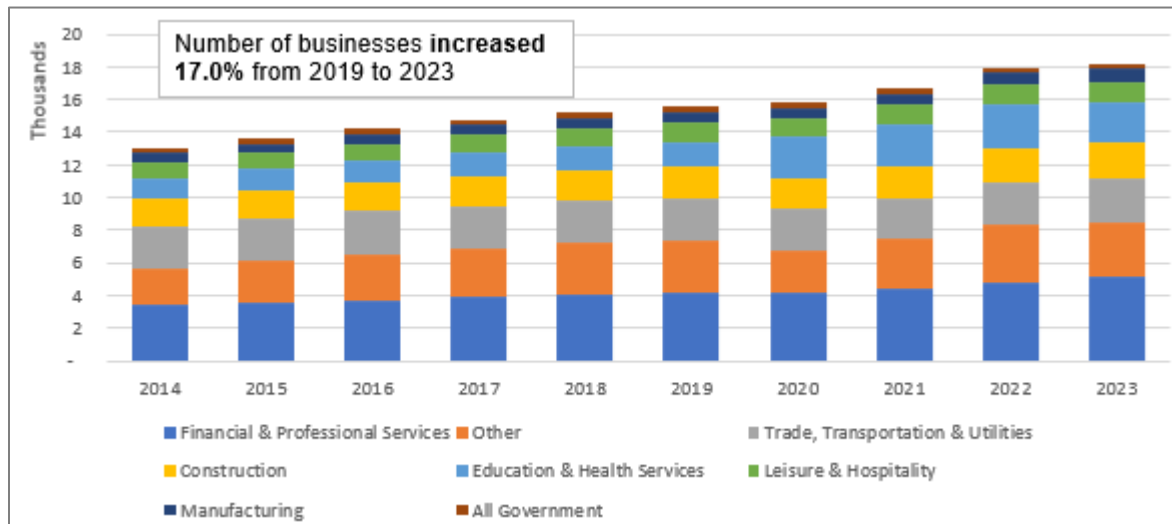


Figure 48 Businesses in Clackamas County by industry

Another indicator of economic health related to the county's revenue base is the number of businesses within the county. In line with the county's population (Figure 37), the number of businesses has continued to grow. In 2023, the county had a reported 18,199 businesses, a 1.4% increase from 2022 (Figure 48).

Number of jobs provided by employers in Clackamas County increased

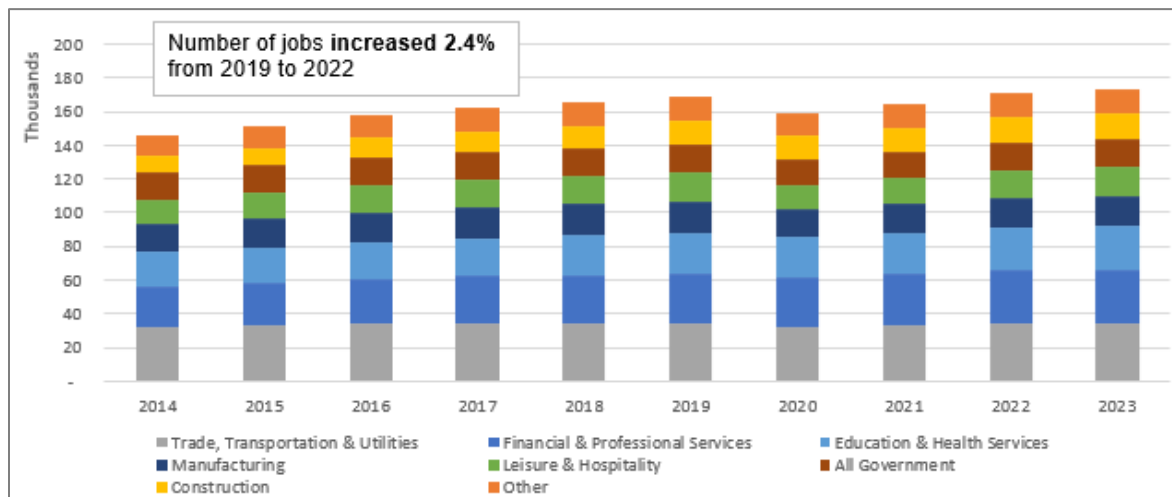


Figure 49 Number of jobs provided by employers in Clackamas County, by industry

The number of jobs (including full-time, part-time, and temporary positions) provided by employers in the county is also an indicator of economic health. From the calendar year 2019 to 2020, the number of jobs decreased with the loss of nearly 10,500 jobs due to the economic downturn. However, the indicator also reflected recent improvements with the addition of about 14,200 jobs from the calendar year 2020 to 2023 (Figure 49).

The gap widened between real market value and assessed value

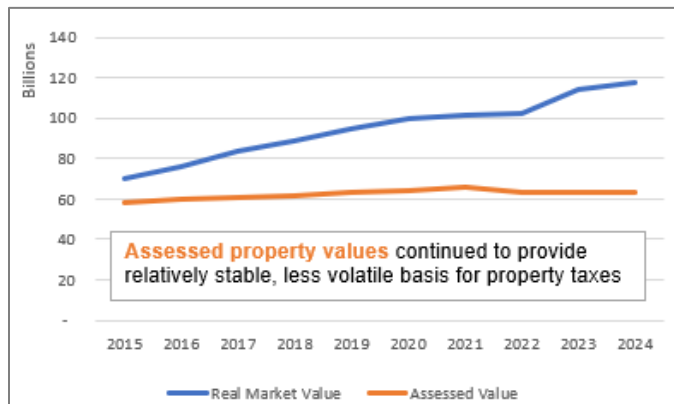


Figure 50 Real market value versus assessed value (in billions, adjusted for inflation)

Real market value serves as one of many indicators of economic health and will experience volatility with the market. Total assessed property values, which are the basis for property taxes, will not experience the same level of volatility as the real market values due to limitations established by several Oregon tax measures²⁸ (e.g., limits on property tax increases). From FY15 to FY24, assessed values increased by 9.5% and real market values increased by 67.6% (Figure 50).

New construction continued to fluctuate in the last few years

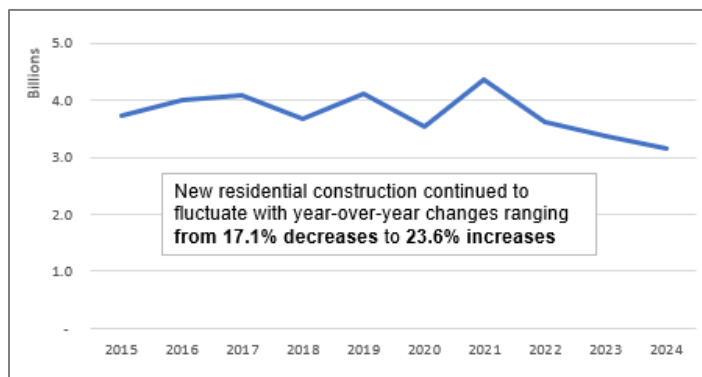


Figure 51 New residential construction in the PMSA (in billions, adjusted for inflation)

New construction figures are based on Primary Metropolitan Statistical Area (PMSA)²⁹ building permits. The value of new residential construction has fluctuated since the calendar year 2017 with 2024 being the lowest during the last ten years. The value of new construction units at the highest point was \$4.4 billion in 2021 and at the lowest point was \$3.2 billion in 2024³⁰ (Figure 51).

²⁸ Measure 5 (1990), Measure 47 (1996) and Measure 50 (1997)

²⁹ PMSA counties, as [Metro](#): Clackamas, Columbia, Multnomah, Washington, Yamhill (Oregon); Clark and Skamania (Washington)

³⁰ Adjusted for inflation

Objectives, Scope, and Methodology

In accordance with the Clackamas County FY24-25 audit plan, County Internal Audit evaluated the financial condition of Clackamas County as of June 30, 2024. The financial condition of the county's component units or service districts were *not* included in this evaluation.

This evaluation was designed to provide an update to the 2024 financial condition report issued by the Office of County Internal Audit and to support the county's strategic decision-making abilities through enhanced financial trend analysis. General objectives for the 2024 Financial Condition Assurance Engagement were to:

- Independently evaluate the current financial condition of Clackamas County.
- Provide continuity through an update of the prior financial condition report.
- Create transparency for the county.

To achieve engagement objectives, the Office of County Internal Audit, among other potential engagement activities:

- Used the financial trend monitoring system developed by the International City/County Management Association (ICMA) and documented in its publication, *Evaluating Financial Condition: A Handbook for Local Government*.
- Reviewed financial indicators suggested by the Government Accounting Standards Board (GASB).
- Analyzed results against identified criteria.

The data analysis in the report generally covers a ten-year period from fiscal year 2015 through 2024. Unless otherwise indicated, data is presented on a fiscal year basis (e.g., fiscal year 2024 represents July 1, 2023, through June 30, 2024). Financial data is expressed in constant dollars to account for inflation by adjusting dollar amounts from each prior year to equal the purchasing power of money in 2024. Chart titles indicate if amounts have been adjusted for inflation.

Information was reviewed for reasonableness and consistency. Data that was not reasonable or needed additional explanation was questioned and researched. The accuracy of the source documents or the reliability of the data in computer-based systems was not audited. The review of data was not intended to give absolute assurance that all information is free from error. Rather, the intent was to provide reasonable assurance that the reported information presented a fair picture of the county's financial condition. As nearly all the financial information presented was from the county's Annual Comprehensive Financial Reports, reliance was placed on the work performed by the county's external financial auditors. Unmodified (clean) opinions were given on all reviewed Annual Comprehensive Financial Reports. While the report offers financial highlights, it does not thoroughly determine the reasons for negative or positive performance. More analysis may be needed to provide such explanations.

About the Office of County Internal Audit

Our Mission – Provide county leadership objective assurance, advice and insight to optimize county efforts and achievements.

Our Vision – The public:

- engages with an accountable, high performing, and transparent local government
- is confident that its interests are protected

Our Strategic Objectives – The Office supports Clackamas County by:

- focusing on risks to county achievement
- promoting continuous improvement
- enhancing accountability and transparency
- fostering county SPIRIT
- building public trust

Our Professional Standards – The Office of County Internal Audit governs itself by adhering to The Institute of Internal Auditors' mandatory guidance, including the:

- Definition of internal auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing*³¹

The engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Our Independence – The County Internal Auditor reports functionally to the Internal Audit Oversight Committee and administratively to the elected County Treasurer. This authority ensures the Office is free of undue influence.

Our Team –

Jodi Cochran, CPA, CIA, CGMA, CRMA, County Internal Auditor
Kathy Yeung, CPA, CIA, Senior Internal Auditor

Contact Us –

Office of County Internal Audit
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Oregon City, OR 97045
Office: 503-742-5983
ocia@clackamas.us

³¹ <https://na.theiia.org/standards-guidance/mandatory-guidance/pages/standards.aspx>