

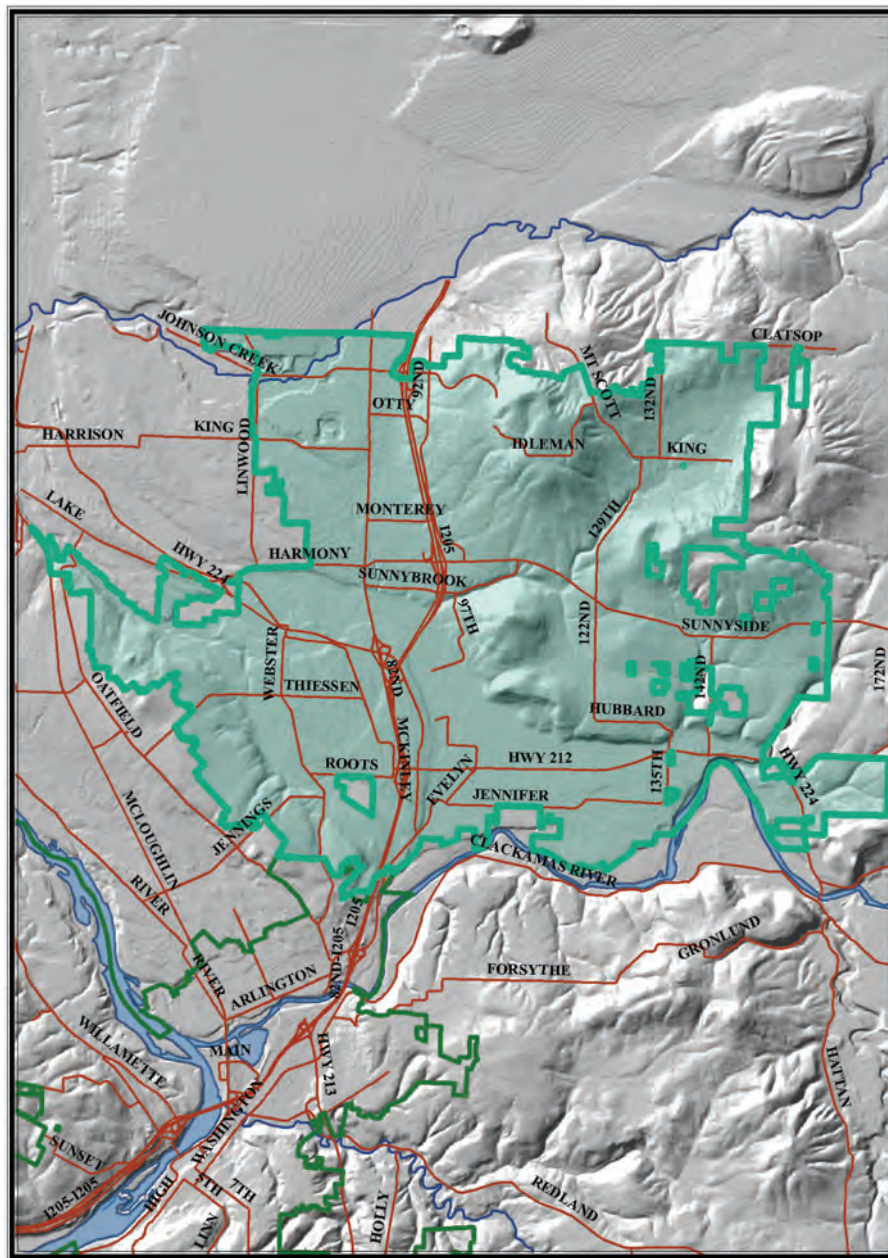
Clackamas County Service District No. 1

(A Component Unit of Clackamas County, Oregon)

Comprehensive Annual Financial Report

For the year ended June 30, 2008

Clackamas County, Oregon



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal years ended June 30, 2008 and 2007

Prepared by:
WATER ENVIRONMENT SERVICES
Financial Management Services Section

Doug Waugh, Finance Manager
Natalie M. Van Hook, Senior Accountant
Carla Atwood, Senior Accountant

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

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CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

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Introductory Section



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
GOVERNING BODY UNDER ORS 451.485
BOARD OF COUNTY COMMISSIONERS
CLACKAMAS COUNTY, OREGON
2051 Kaen Road
Oregon City, Oregon 97045

COMMISSIONERS AS OF JUNE 30, 2008

<u>Name</u>	<u>Term Expires</u>
Lynn Peterson, Chair 555 G. Avenue Lake Oswego, Oregon 97034	December 31, 2010
Martha Schrader, Commissioner 2525 N. Baker Canby, Oregon 97068	December 31, 2008
Bill Kennemer, Commissioner 21041 S. Hwy 99E Oregon City, Oregon 97045	December 31, 2008

ADMINISTRATIVE OFFICES

Water Environment Services
Clackamas County, Oregon
150 Beaver Creek Road
Oregon City, Oregon 97045

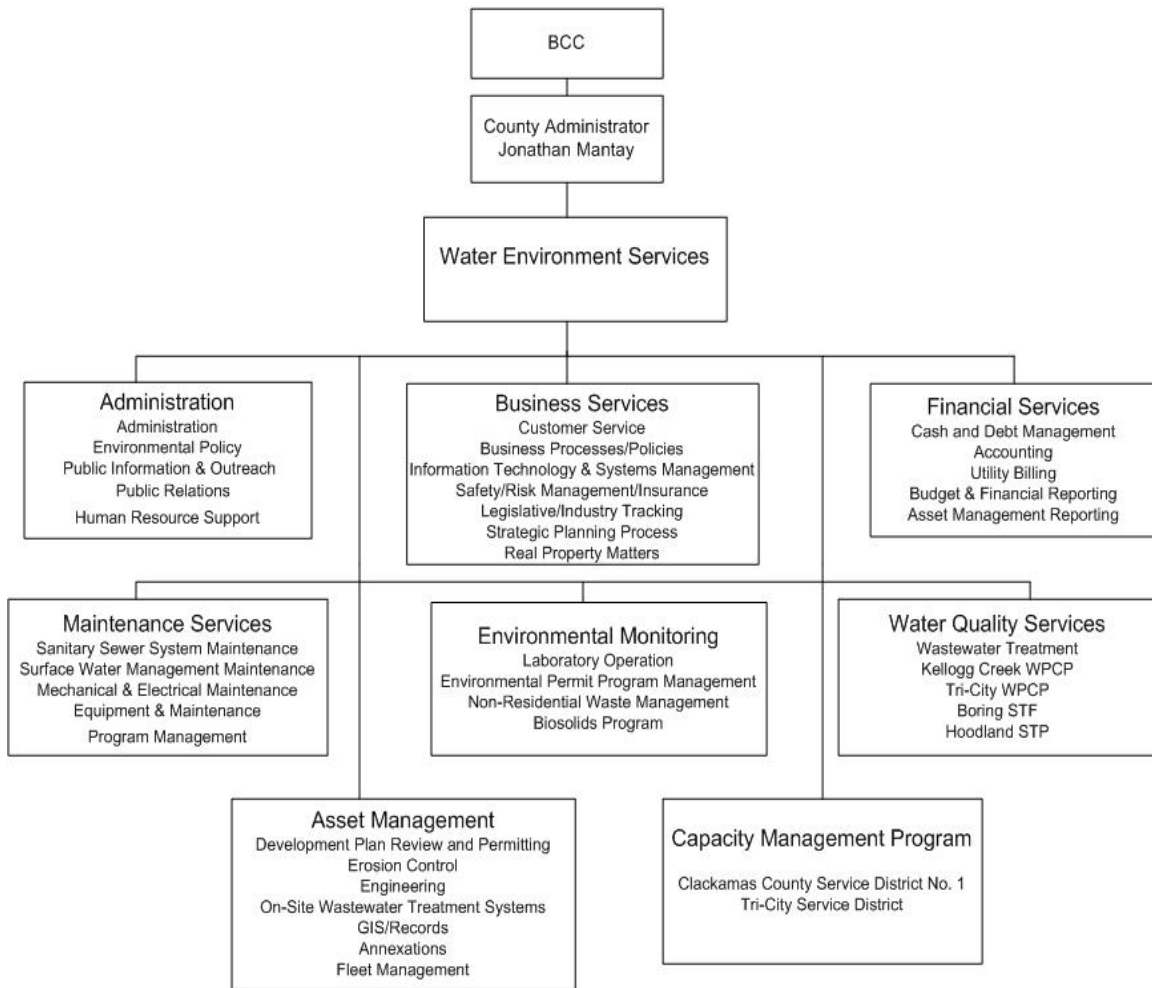
DISTRICT ADMINISTRATOR

Jonathan A. Mantay
2051 Kaen Road
Oregon City, OR. 97045

REGISTERED AGENT

Michael S. Kuenzi
150 Beaver Creek Road
Oregon City, Oregon 97045

Water Environment Services, A Department of Clackamas County June 30, 2008





Water Quality Protection
Surface Water Management
Wastewater Collection & Treatment

Michael S. Kuenzi, P.E.
Director

December 22, 2008

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

The Comprehensive Annual Financial Report for Clackamas County Service District No. 1 (CCSD No. 1 or the District), a component unit of Clackamas County, Oregon, for the year ended June 30, 2008, is submitted herewith. This report was prepared by the Financial Management Services section of Water Environment Services (Department), which administers CCSD No. 1, in accordance with the financial reporting provisions of Oregon Revised Statutes Sections 297.405 through 297.555. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the Department. We believe the data is accurate and complete in all material respects; that it is presented in a manner designed to present fairly the financial position, results of operations and cash flows of the District at June 30, 2008, and for the year then ended.

The District's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report.

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

Water Environment Services

Clackamas County Water Environment Services (WES) was created in August 1984 to administer County service districts formed within Clackamas County, Oregon under the provisions of ORS Chapter 451. This enabling legislation establishes County service districts as independent municipal corporations authorized to provide a specific service within specified boundaries in the County. During FY 2007-2008, WES administered Clackamas County Service District No. 1 (sewer and surface water management), Tri-City Service District (sewer), and the Surface Water Management Agency of Clackamas County. Since each of these is a separate municipal corporation, audited financial statements are prepared for each entity.

As specified by ORS 451, the governing body for each of these municipal corporations is the Board of County Commissioners of Clackamas County, Oregon, and the County Administrator serves as the Administrator for each of the Districts. As separate municipal corporations, the operations of each are distinct from those of the County. However, under criteria of the Governmental Accounting Standards Board, each entity is considered a component unit of Clackamas County, Oregon.

Clackamas County Service District No. 1

Clackamas County Service District No. 1 is comprised of four separate, non-contiguous sewer service areas, as well as a surface water management service area. Both sewer and surface water management services are provided in the North Clackamas Service Area, while sewer service only is provided in the Hoodland, Boring and Fischer's Forest Park Service Areas. Each service area is served by completely separate collection and treatment facilities. As such, each service area constitutes a separate cost center.

Prospects for the Future

It is anticipated that customer growth will be strong during the next several years. This expectation is probable since (1) Oregon has in place land use laws that establish an urban growth boundary designed to prevent "urban sprawl" and protect valuable

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

agricultural and forest lands, (2) that boundary for the Portland metropolitan area has for the first time been expanded to include significant additional areas within Clackamas County, and (3) strong overall growth in the Portland metropolitan area has significantly diminished easily developable land in other parts of the area. The District is in the process of examining alternatives for the future structure of sanitary sewerage services for the District. The Board of County Commissioners is now considering these alternatives, and a decision is expected in the near future.

The District's Kellogg Creek Water Pollution Control Plant is responsible for providing service to the unincorporated portion of North Clackamas County that lies within the Portland region urban growth boundary. As mentioned above, the portion of this boundary that lies within Clackamas County was expanded significantly. This expansion has the potential to more than double the current geographic area served by the District.

Flows from industrial areas in the District have been diverted from the Kellogg facility to the Tri-City Service District (TCSD). This diversion is intended as an interim measure to use spare capacity at TCSD to serve growth in North Clackamas. The terms of this diversion are provided for in the Interim Diversion Agreement adopted by the Board of County Commissioners in February 1999. This interim diversion was a response to capacity constraints at the Kellogg treatment facility.

Independent Audit

The provisions of Oregon Revised Statutes Sections 297.405 through 297.555, known as "Municipal Audit Law" require that an independent audit of the District's records be made within six months following the close of the fiscal year. The auditors, whose selection was approved by the Board of County Commissioners at the recommendation of District management, have completed their audit of the District's financial statements and have included their report in the financial section of this report.

GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to

Board of County Commissioners of Clackamas
County, Oregon, as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

the District for its Component Unit Financial Report for the year ended June 30, 2007. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The report satisfies both accounting principles generally accepted in the United State of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe we have met the GFOA's standards for financial reporting for the year ended June 30, 2008, and therefore, the District will again be submitting its current Comprehensive Annual Financial Report to that body for consideration for a Certificate of Achievement. To that end, we will advise the Board of the results of the GFOA's review of our report.

Acknowledgments

We wish to express our appreciation to the entire Water Environment Services staff for their efforts and contributions to our annual audit. Our appreciation is especially extended to the Financial Management Services Section who works diligently year-round to maintain accurate and timely financial records for the District. This effort is crucial to the success of WES and the well being of its ratepayers.

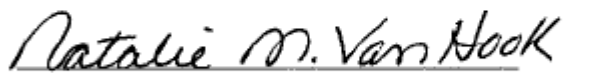
Respectfully submitted,



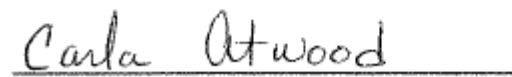
Michael S. Kuenzi, Director



Douglas A. Waugh, Financial Services Manager



Natalie M. Van Hook, Senior Accountant



Carla Atwood, Senior Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Clackamas County
Service District No. 1
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

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Financial Section





4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503.274.2849 • Fax 503.274.2853
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INDEPENDENT AUDITOR'S REPORT

December 22, 2008

Board of County Commissioners of
Clackamas County, Oregon as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

We have audited the accompanying basic financial statements of Clackamas County Service District No. 1 (the District), a component unit of Clackamas County, Oregon, as of and for the years ended June 30, 2008 and 2007, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2008 and 2007, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of County Commissioners of
Clackamas County, Oregon as Governing Body of
Clackamas County Service District No. 1
December 22, 2008
Page 2

and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2008 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2008 basic financial statements taken as a whole.

The Introductory and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Timothy R. Gillette, Partner

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008 and 2007

As management of Clackamas County Service District No. 1 (the District), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Our assets exceeded our liabilities at the close of the fiscal year by \$140,507. Of this amount, \$25,507 (unrestricted net assets) may be used to meet our ongoing obligations of providing sanitary sewage treatment and surface water management services.
- The District's total assets increased to \$165,495 from \$152,882 in 2007 and from \$140,277 in 2006. The change from 2007 included a decrease in cash and cash equivalents of \$3,845, an increase in capital assets of \$13,745, an increase in intangible assets of \$802, an increase in other receivables of \$379, an increase in investments of \$1,920, a decrease in connection receivables of \$56 and a decrease in total assessments receivable of \$237.
- Total liabilities increased \$1,930 from 2007, which in turn had decreased \$267 from 2006. This 2008 increase was primarily a result of a \$1,476 increase in amounts due to other service districts, a \$648 increase in notes payable, a \$1,103 increase in accounts payable, a \$37 increase in unearned income and a \$26 increase in accrued payroll payable. This total increase was partially offset by a decrease in total long-term liabilities of \$1,352.
- Total net assets increased \$10,683 due to revenues exceeding expenses. Operating revenues increased by \$1,432 over 2007 and operating expenses increased by \$1,402. The result was an increase in operating income of \$30. This compares with a \$610 increase in operating revenues and a \$653 increase in operating expenses in 2007 over 2006. In 2008, nonoperating revenue (expense) increased \$289, primarily resulting from a decrease in interest expense of \$61, a decrease in loss on disposition of fixed assets of \$76, and an increase in grant revenue of \$166. In 2007, interest income increased \$701, and interest expense decreased \$56 from 2006.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2008 and 2007

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements consist of the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows along with the Notes to Basic Financial Statements. Complementing these statements and notes is Supplementary Information, which provides additional detail about the District's operations.

The Statements of Net Assets present information on all of the District's assets, liabilities, and net assets. Over time, changes in assets, liabilities, and net assets may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets present information related to increases and decreases in net total assets. These statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Statements of Cash Flows are an analysis of the change in the District's cash balance during the fiscal year. They are divided into four components; cash provided or used by operations, cash used in the payment of debt and the acquisition of capital assets, cash advanced or received from related entities and cash provided by or used in investing activities.

The basic financial statements contain information relating to the District's operations. These are centered on the Kellogg Creek Water Pollution Control Plant located in Milwaukie, Oregon and other smaller treatment facilities in Boring, Hoodland and Fischers Forest Park.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the government wide statements. The notes can be found on pages 14 through 27 of this report.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2008 and 2007

Financial Analysis

The financial operations of the District are primarily related to the collection, transmission and treatment of sanitary sewage and surface water management.

The following table offers a comparison of net assets at June 30, 2008, 2007, and 2006:

	<u>Net Assets</u>		
	(In Thousands of Dollars)		
	<u>2008</u>	<u>2007</u> (As Reclassified)	<u>2006</u> (As Reclassified)
Current and other assets	\$ 42,750	\$ 43,882	\$ 44,617
Capital assets, net	<u>122,745</u>	<u>109,000</u>	<u>95,660</u>
Total assets	<u>165,495</u>	<u>152,882</u>	<u>140,277</u>
Current liabilities	16,383	13,373	12,288
Long term liabilities	<u>8,605</u>	<u>9,685</u>	<u>11,037</u>
Total liabilities	<u>24,988</u>	<u>23,058</u>	<u>23,325</u>
Invested in capital assets, net of related debt	113,214	97,963	83,620
Restricted	1,786	2,440	2,392
Unrestricted	<u>25,507</u>	<u>29,421</u>	<u>30,940</u>
Total net assets, end of period	<u>\$ 140,507</u>	<u>\$ 129,824</u>	<u>\$ 116,952</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2008 and 2007

Financial Analysis (Continued)

The following table offers a comparison of revenues, expenditures and changes in net assets as of June 30, 2008, 2007 and 2006:

	<u>Changes in Net Assets</u> (In Thousands of Dollars)		
	<u>2008</u>	<u>2007</u>	<u>2006</u> (As Reclassified)
Operating revenues:			
Sewer and surface water management charges:			
Residential and commercial	\$ 14,350	\$ 12,886	\$ 11,924
Municipalities and other	1,205	1,132	1,293
Other	1,135	1,240	1,431
Total operating revenue	<u>16,690</u>	<u>15,258</u>	<u>14,648</u>
Operating expenses			
Contracted salaries and benefits	8,343	8,185	7,850
Professional services	1,054	959	715
Supplies	844	319	642
Administrative costs	448	500	451
Repairs and maintenance	176	215	135
Utilities	686	642	537
Depreciation	4,543	3,872	3,709
Total operating expenses	<u>16,094</u>	<u>14,692</u>	<u>14,039</u>
Operating income	<u>596</u>	<u>566</u>	<u>609</u>
Nonoperating revenue (expense):			
Interest income	1,685	1,684	983
Interest expense	(402)	(463)	(519)
Grants	166	-	-
Loss on disposition of capital assets	(34)	(110)	(485)
Deferred amount on refunding	(102)	(89)	(88)
Amortization of bond issuance costs	(13)	(11)	(11)
Total nonoperating revenue (expense)	<u>1,300</u>	<u>1,011</u>	<u>(120)</u>
Income before contributions	1,896	1,577	489
Contributions	<u>8,787</u>	<u>11,295</u>	<u>7,442</u>
Change in net assets	<u>\$ 10,683</u>	<u>\$ 12,872</u>	<u>\$ 7,931</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2008 and 2007

Financial Analysis (Continued)

Revenues from sanitary sewer and surface water management charges increased to \$15,555 from \$14,018 in 2007 and \$13,217 in 2006. The growth is attributable to an increase in the number of equivalent dwelling units (EDUs) treated at the plants plus an increase in the sewer charge of 13.5% and an increase in the number of equivalent surface units (ESUs) being provided with surface water management services. Other operating revenues, including plan review fees, soils fees and lien searches, decreased, resulting in an increase in total operating revenues of \$1,432 or 9.4%. Total operating revenues for 2007 had increased \$610 or 4.1% over Fiscal Year 2006.

Operating expenses as a whole increased \$1,402 or 9.5% over 2007, which had increased \$653 or 4.7% over 2006. Contracted salaries and benefits increased \$158 in 2008 and \$335 in 2007. This was primarily the result of cost of living increases and rising benefit costs. Administrative costs decreased \$52 from 2007 to 2008. Interest income in 2008 increased by \$1 from 2007. Overall, income before contributions increased \$319 over 2007, which had increased \$1,088 from 2006. Contributions decreased by \$2,508 from \$11,295 in 2007. The result was an increase in net assets of \$10,683.

Capital Asset and Debt Analysis

The District's investment in property, plant and equipment increased \$13,745 or 12.6% and is detailed in Note 4. Major capital additions included expansion of the collection system and the beginning of construction for increased capacity.

Total long-term liabilities decreased by \$1,080 as shown in Note 8. The outstanding balances at June 30, 2008 include \$8,371 in revenue bonds.

At June 30, 2008, the District has two outstanding debt issues of revenue bonds to finance capital improvements and an assessment district in Happy Valley and a state revolving loan which financed alternative disinfection at the Kellogg treatment facility.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2008 and 2007

Capital Asset and Debt Analysis (Continued)

A portion of the District's revenue bond debt is payable from assessments levied and collected against the benefited property owners first and, if assessment collections and interest earnings are not sufficient, from operating revenues of the District. The balance of the revenue bond debt and the state revolving loan fund are payable through operating revenues and connection fees. The District continues to maintain favorable bond ratings with Standard and Poor's Corporation, which increased the rating from A+ to AA- in June 2004.

Rates and Charges

The District directly serves an estimated population of 88,000 residents, as well as varied industrial, wholesale (cities) and commercial customers. Growth projections within the Service District for the next five years are consistently in the range of two percent per year. This growth will likely continue or accelerate as the expansion begins into new areas recently annexed into the urban growth boundary for the Portland metropolitan area.

While these future customers will increase the District's customer base and hence its operating revenues, they will also buy into the system through the payment of System Development Charges (SDC's). These charges are used for capital construction costs related to capacity expansion necessary for growth. SDC's can also assist in retiring existing revenue bond debt, should it become necessary. The SDC rate in each of the District's Areas has been maintained at the same rates since 1997-98, but will increase to \$3,700 on August 4, 2008.

The monthly retail rate for residential sewer service in the North Clackamas Service Area was \$26.00 per equivalent dwelling unit (EDU) for FY 2007-08. The Clackamas County Board of Commissioners approved an increase to \$29.50 per month effective July 1, 2008. It is expected that retail rates will be increased as necessary over the next several years to accommodate the increased operation, maintenance and debt service requirements attendant with the growing needs of the District. The monthly fee of \$6.00 per equivalent service unit, currently in place to provide for operations, maintenance, and debt service associated with the District's surface water management responsibilities, remained unchanged.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2008 and 2007

Economic Factors

The growth in the customer base remained steady due to the continuing attraction of the area for livability.

Financial Contact

The District's 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 the District's accountability. If you have questions about the report or need additional financial information, please contact the District Finance Manager at 150 Beaver Creek Road, Oregon City, OR 97045. The District's telephone number is 503-742-4567. You can also reach us through our web page at www.clackamas.us.

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Basic Financial Statements



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

	2008	2007 (As Reclassified)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 14,767,828	\$ 17,959,546
Cash and cash equivalents - restricted	1,785,864	2,439,378
Investments	22,223,889	20,304,286
Unbonded assessments receivable	62,007	51,268
Accrued interest receivable on assessments, net	42,083	83,112
Other receivables	1,579,464	1,200,170
Prepaid expenses	59,762	66,118
Total current assets	40,520,897	42,103,878
Noncurrent assets:		
Capital assets not being depreciated	21,442,826	11,200,893
Capital assets being depreciated, net	101,302,375	97,799,377
Intangible assets, net	801,716	-
Connection charges receivable, noncurrent portion	58,514	114,779
Bond issuance costs	56,194	69,109
Bonded assessments receivable, net	400,139	510,720
Contracts receivable	40,350	75,165
Unbonded assessments receivable, noncurrent portion	871,588	1,008,440
Total noncurrent assets	124,973,702	110,778,483
Total assets	165,494,599	152,882,361
LIABILITIES:		
Current liabilities:		
Accounts payable	2,716,258	1,612,783
Accrued payroll payable	367,202	340,988
Other liabilities	6,036	2,000
Unearned income	290,621	254,407
Due to other Service Districts	11,229,716	9,753,344
Accrued interest payable, payable from restricted assets	44,667	57,775
Note payable	648,047	-
Loan payable, current portion	165,507	158,909
Current portion of long term debt, payable from restricted assets	914,553	1,193,484
Total current liabilities	16,382,607	13,373,690
Noncurrent liabilities:		
Long term loan, net of current portion, payable from current assets	1,147,772	1,313,279
Long term debt, net of current portion, payable from restricted assets	7,456,891	8,371,444
Total noncurrent liabilities	8,604,663	9,684,723
Total liabilities	24,987,270	23,058,413
NET ASSETS:		
Invested in capital assets, net of related debt	113,214,147	97,963,154
Restricted for debt service	1,785,864	2,439,378
Unrestricted	25,507,318	29,421,416
TOTAL NET ASSETS	\$ 140,507,329	\$ 129,823,948

See notes to basic financial statements.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the years ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES:		
Sewerage and surface water management charges:		
Residential and commercial	\$ 14,350,227	\$ 12,885,994
Municipalities and other	1,205,243	1,131,985
Other operating revenues	1,134,552	1,240,558
Total operating revenues	16,690,022	15,258,537
OPERATING EXPENSES:		
Contracted salaries and benefits	8,343,314	8,185,401
Professional services	1,053,673	959,139
Supplies	843,911	318,995
Administrative costs	447,725	499,577
Repairs and maintenance	176,153	214,759
Utilities	685,991	641,688
Depreciation and amortization	4,543,307	3,872,590
Total operating expenses	16,094,074	14,692,149
Operating income	595,948	566,388
NONOPERATING REVENUES (EXPENSES):		
Interest income	1,684,674	1,683,992
Interest expense	(401,913)	(463,053)
Grants	166,307	-
Loss on disposition of capital assets	(34,360)	(110,081)
Deferred amount on refunding	(101,940)	(89,060)
Amortization of bond issuance costs	(12,915)	(11,283)
Total nonoperating revenues	1,299,853	1,010,515
Income before contributions	1,895,801	1,576,903
CONTRIBUTIONS	8,787,580	11,295,003
CHANGE IN NET ASSETS	10,683,381	12,871,906
NET ASSETS - beginning of year	129,823,948	116,952,042
NET ASSETS - end of year	\$ 140,507,329	\$ 129,823,948

See notes to basic financial statements.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 15,311,370	\$ 14,013,849
Paid to suppliers for goods and services	(2,067,372)	(1,745,671)
Paid to related entities for services	(8,332,982)	(8,187,989)
Other operating revenues	1,115,823	1,223,775
NET CASH FROM OPERATING ACTIVITIES	6,026,839	5,303,964
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond principal paid	(1,295,424)	(940,000)
Interest paid on bonds and contracts	(415,021)	(476,513)
Assessment and contract principal collected	332,250	649,581
Interest received on assessments and contracts	89,148	631,036
Grant revenue	166,307	-
Capital contributed by customers/governments	2,518,668	2,489,895
Payments made on contracts payable	(158,909)	(152,574)
Acquisition of capital assets, net of dispositions	(12,207,355)	(8,853,544)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(10,970,336)	(6,652,119)
CASH FLOWS FROM NON CAPITAL ACTIVITIES:		
Advances from (payment to) other Service Districts and related entities	1,476,372	(150,127)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(34,387,365)	(18,349,655)
Proceeds from sale of investments	32,467,762	20,452,329
Interest received on investments	1,541,496	1,025,098
NET CASH FROM INVESTING ACTIVITIES	(378,107)	3,127,772
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,845,232)	1,629,490
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,398,924	18,769,434
CASH AND CASH EQUIVALENTS, END OF YEAR ⁽¹⁾	\$ 16,553,692	\$ 20,398,924
 (1) Cash and cash equivalents are reflected on the Statement of Net Assets as follows:		
Current assets - unrestricted	\$ 14,767,828	\$ 17,959,546
Current assets - restricted	1,785,864	2,439,378
	\$ 16,553,692	\$ 20,398,924

See notes to basic financial statements.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
STATEMENTS OF CASH FLOW, Continued
for the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income	\$ 595,948	\$ 566,388
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	4,543,307	3,872,590
Changes in assets and liabilities:		
Other receivables	(288,711)	(47,807)
Prepaid expenses	6,356	12,739
Accounts payable	1,103,475	550,620
Accrued payroll payable	26,214	340,988
Other liabilities	4,036	(15,860)
Unearned income	36,214	24,306
Total adjustments	<u>5,430,891</u>	<u>4,737,576</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 6,026,839</u>	<u>\$ 5,303,964</u>
NONCASH CAPITAL ACTIVITY		
Contributions of capital assets from governments, developers and customers	<u>\$ 6,268,912</u>	<u>\$ 8,468,757</u>
New assessments levied and contracts issued	<u>\$ -</u>	<u>\$ 336,351</u>
Issuance of note payable	<u>\$ 648,047</u>	<u>\$ -</u>

See notes to basic financial statements.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District

Clackamas County Service District No. 1 (the District) was organized in March 1967 under the provisions of ORS Chapter 451 to construct and operate a sanitary sewer system in a particular area of Clackamas County, Oregon. As provided by ORS 451.485, the Clackamas County Board of Commissioners is the governing body of the District.

The District has no potential component units. Since Clackamas County, Oregon is financially accountable for, and significantly influences the operations of, the District and the Clackamas County Board of County Commissioners also serves as the District's Board, the District is included as a blended component unit in the Comprehensive Annual Financial Report of Clackamas County, Oregon for the year ended June 30, 2008.

Fiscal and accounting functions and certain repairs and maintenance of capital assets are provided by personnel of Clackamas County Water Environment Services, Department of Transportation and Development, County Treasurer and the County's General Services Agency.

The District's personal services are budgeted as part of Clackamas County (County) and are contracted for with the County.

Significant accounting policies used in the preparation of the basic financial statements are described below:

Measurement Focus

The basic financial statements are prepared on the flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included in the Statements of Net Assets. The Statements of Revenues, Expenses and Changes in Net Assets present increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Basis of Accounting

The District's financial statements are prepared on the accrual basis of accounting. The District has applied all private sector guidance issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting, Continued

Accounting Standards Board (GASB) pronouncements. The District has elected not to follow subsequent private sector guidance.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily wastewater treatment and surface water management services. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenue and expense. Contributions represent capital assets contributed by governments and developers, and connection fees.

Cash and Cash Equivalents

Cash and cash equivalents comprise funds held and invested by the Clackamas 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 and No. 40 regarding the accounting and financial reporting for the District's pooled cash and investments, held by the Clackamas County Treasurer, has been disclosed in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. For purposes of the Statements of Cash Flows, cash and cash equivalents include all cash and investments held by the Clackamas County Treasurer and LGIP, since they have the general characteristics of a demand deposit account.

Investments in the State of Oregon Treasurer's Local Government Investment Pool are stated at cost which approximates fair value.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local government in Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

Investments

Investments with a remaining maturity of more than three months, at the time of purchase, are stated at cost which approximates fair value. Fair value is determined at the quoted market price.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewer User Charges Receivable

Sewer user charges, included as other receivables in the Statements of Net Assets, are due from property owners within the District. An allowance for doubtful accounts is not deemed necessary as uncollectible accounts become a lien on the property.

Assessments Receivable

Assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. The assessments represent liens against benefited property and are generally payable over a period of twenty years at interest rates ranging from 6.5% to 12.09%. The District had previously determined the collectability of a portion of assessments receivable and accrued interest thereon as doubtful and had established an allowance of \$1,767,370, of which \$344,000 was accrued interest. In 2007, Clackamas County foreclosed on some of these properties and by Board Order, principal and interest in the amounts of \$1,049,427 and \$131,720 respectively were written off against the allowance. The balance of the allowance is \$586,224, of which \$212,280 is accrued interest.

Restricted Assets and Related Liabilities

Assets, whose use is restricted to specific purposes by state statute or bond indenture, and related liabilities are segregated on the Statements of Net Assets.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated fair market value at the time of donation in the case of contributed sewer pipe installation from developers. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of five years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation is computed on the capital assets placed in service using the straight-line method over their estimated useful lives as follows:

Sewage treatment plant	20-50 years
Sewage treatment line system	20-50 years
Equipment	10-15 years

Intangible Assets

Intangible assets include software and are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the life of five years.

Capitalized Interest

Interest costs are capitalized as part of the costs of capital assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of such borrowed funds from the date of the borrowing until the assets are ready for their intended use is used to reduce the interest costs capitalized on the constructed assets. Interest is not capitalized for acquisitions funded by capital grants (or other outside parties) externally restricted for the acquisition of specified assets. For 2008 and 2007, no interest was capitalized.

Net Assets

Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three components: Investment in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets. Investment in capital assets, net of related debt, consists of all capital assets and intangibles, net of accumulated depreciation and amortization and reduced by outstanding debt (revenue bonds and other debt obligations) that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including legal mandates. Unrestricted consists of all other net assets not included in the above categories.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to Other Service Districts

The District functions as a depository for funds owned by Surface Water Management Agency of Clackamas County and Tri-City Service District. Interest earnings are allocated to other Districts based on the proportion of their funds to total District funds.

Budget

The District is required by state law to budget its operations on a fund basis. The budget is generally prepared on the modified accrual basis of accounting. The resolution authorizing appropriations for the District's funds sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the principal object level - materials and services, reserve for capital improvement, capital outlay, debt service, transfers, contingency and other – which are the levels of control established by the resolution. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Management may make transfers of appropriations within object levels. However, transfers of appropriations 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 the District made no appropriation transfers and adopted one supplemental budget to close out the Bancroft Bonded Debt Service Fund. Appropriations lapse as of year-end. Expenditures for capital outlay for Fiscal Year 2008 exceeded appropriations by \$365,584 in the Sanitary Sewer Fund.

Risk Management

The District purchases insurance coverage for automobile, flood, earthquake, liability, machinery, and business risks. These policies are subject to minimum deductibles.

The District participates in the County's self-insurance program where not commercially insured. All personnel of the District are contracted from the County and the County bears all risk of loss. The County is fully self-insured for unemployment benefits and short-term disability benefits and partially insured for dental benefits and workers' compensation. The County carries coverage in excess of \$1,000,000 with an outside insurer for workers' compensation claims. There have been no significant reductions in insurance coverage from the prior year for any category of risk and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 financial statement presentation.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments are comprised of the following:

	2008	2007
Petty Cash	\$ 950	\$ 950
State of Oregon Treasurer's Local Government Investment Pool	16,225,271	12,751,837
Deposits with County Treasurer	327,471	7,646,137
	\$ 16,553,692	\$ 20,398,924
 Investments with the County Treasurer:	 \$ 22,223,889	 \$ 20,304,286

Cash and investments are held by the County Treasurer and represent the District's equity in pooled accounts maintained by the County Treasurer. Oregon Revised Statutes require depository institutions to maintain, on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding collateral certificates of participation issued by the pool manager. State statutes authorize the District to invest in general obligations of the U.S. Government and in its agencies,

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

certain bonded obligations of Oregon municipalities, certain corporate indebtedness, bank repurchase agreements, bankers' acceptances and the State of Oregon Treasurer's Local Government Investment Pool (LGIP) among others. Reference should be made to the June 30, 2008 Clackamas County Comprehensive Annual Financial Report for compliance with these statutes.

Interest Rate Risk

As a means to limit exposure to fair value loss arising from interest rates, the County's investment policy requires structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, investing operating funds primarily in shorter-term securities or short term investment pools, and by diversifying the portfolio by maturity dates to mitigate the impact of reinvestment risk. Investment maturity limitations and actual maturities for the County's investments are as follows:

<u>Maturity</u>	<u>Policy</u>	<u>Par Value</u>	<u>Percentage</u>
Less than 90 days	Minimum of 25%	\$120,643,750	46.8%
Less than 12 months	No limit	109,163,000	42.4%
12 months to 18 months	Maximum of 25%	18,000,000	7.0%
18 months to 36 months	Maximum of 20%	9,830,000	3.8%

3. OTHER RECEIVABLES

	<u>2008</u>	<u>2007</u>
Current connection charges receivable, including interest of \$5,178 and \$8,177 at June 30, 2008 and 2007, respectively	\$ 21,748	\$ 29,223
Sewerage user charges	1,091,693	811,379
Interest receivable	171,214	128,048
Interest receivable on unbonded assessments	219,361	164,469
Clackamas County	3,808	14,140
Miscellaneous	71,640	52,911
	<u>\$ 1,579,464</u>	<u>\$ 1,200,170</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance				Balance June 30, 2008
	June 30, 2007	Additions	Transfers	Deletions *	
Capital assets not being depreciated:					
Land	\$ 2,338,528	\$ -	\$ -	\$ -	\$ 2,338,528
Construction in progress	8,862,365	12,825,373	(1,776,949)	(806,491)	19,104,298
Total capital assets not being depreciated	<u>11,200,893</u>	<u>12,825,373</u>	<u>(1,776,949)</u>	<u>(806,491)</u>	<u>21,442,826</u>
Capital assets being depreciated:					
Sewerage treatment plant	61,717,708	3,326,844	1,006,121	-	66,050,673
Sewerage treatment line system	82,476,564	2,942,068	525,337	-	85,943,969
Equipment	7,795,141	-	245,491	(37,194)	8,003,438
Total capital assets being depreciated	<u>151,989,413</u>	<u>6,268,912</u>	<u>1,776,949</u>	<u>(37,194)</u>	<u>159,998,080</u>
Less accumulated depreciation for:					
Sewerage treatment plant	(25,117,275)	(2,583,753)	-	-	(27,701,028)
Sewerage treatment line system	(22,415,563)	(1,794,110)	-	-	(24,209,673)
Equipment	(6,657,198)	(165,000)	-	37,194	(6,785,004)
Total accumulated depreciation	<u>(54,190,036)</u>	<u>(4,542,863)</u>	<u>-</u>	<u>37,194</u>	<u>(58,695,705)</u>
Total capital assets being depreciated, net	<u>97,799,377</u>	<u>1,726,049</u>	<u>1,776,949</u>	<u>-</u>	<u>101,302,375</u>
Total capital assets, net	<u>\$ 109,000,270</u>	<u>\$ 14,551,422</u>	<u>\$ -</u>	<u>\$ (806,491)</u>	<u>\$ 122,745,201</u>

* Includes transfer of \$802,162 to Intangible Assets.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

4. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u>				<u>Balance</u>
	<u>June 30, 2006</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Capital assets not being depreciated:					
Land	\$ 2,276,460	\$ -	\$ 62,068	\$ -	\$ 2,338,528
Construction in progress	<u>3,475,707</u>	<u>8,855,494</u>	<u>(3,356,805)</u>	<u>(112,031)</u>	<u>8,862,365</u>
Total capital assets not being depreciated	<u>5,752,167</u>	<u>8,855,494</u>	<u>(3,294,737)</u>	<u>(112,031)</u>	<u>11,200,893</u>
Capital assets being depreciated:					
Sewerage treatment plant	56,197,253	3,881,888	1,638,567	-	61,717,708
Sewerage treatment line system	76,574,865	4,586,869	1,314,830	-	82,476,564
Equipment	<u>7,465,600</u>	<u>-</u>	<u>341,340</u>	<u>(11,799)</u>	<u>7,795,141</u>
Total capital assets being depreciated	<u>140,237,718</u>	<u>8,468,757</u>	<u>3,294,737</u>	<u>(11,799)</u>	<u>151,989,413</u>
Less accumulated depreciation for:					
Sewerage treatment plant	(23,029,657)	(2,087,618)	-	-	(25,117,275)
Sewerage treatment line system	(20,837,716)	(1,577,847)	-	-	(22,415,563)
Equipment	<u>(6,461,872)</u>	<u>(207,125)</u>	<u>-</u>	<u>11,799</u>	<u>(6,657,198)</u>
Total accumulated depreciation	<u>(50,329,245)</u>	<u>(3,872,590)</u>	<u>-</u>	<u>11,799</u>	<u>(54,190,036)</u>
Total capital assets being depreciated, net	<u>89,908,473</u>	<u>4,596,167</u>	<u>3,294,737</u>	<u>-</u>	<u>97,799,377</u>
Total capital assets, net	<u>\$ 95,660,640</u>	<u>\$ 13,451,661</u>	<u>\$ -</u>	<u>\$ (112,031)</u>	<u>\$ 109,000,270</u>

5. INTANGIBLE ASSETS:

Changes in intangible assets for the year ended June 30, 2008 were as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Intangible assets being amortized:				
Intangible assets	\$ -	\$ 802,162	\$ -	\$ 802,162
Less accumulated amortization for intangible assets	<u>-</u>	<u>(446)</u>	<u>-</u>	<u>(446)</u>
Total intangible assets, net	<u>\$ -</u>	<u>\$ 801,716</u>	<u>\$ -</u>	<u>\$ 801,716</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

5. INTANGIBLE ASSETS (Continued)

The estimated aggregate amortization expense for each of the five succeeding years is as follows:

Year Ending June 30,	Amount
2009	\$ 160,432
2010	160,432
2011	160,432
2012	160,432
2013	159,988
	\$ 801,716

6. NOTE PAYABLE

In 2008, the District signed a series of three short term notes with a developer to begin construction of an extension of a sanitary sewer trunk line. The notes are payable by July 7, 2008 at an interest rate of 5%. The total amount of the notes at June 30, 2008 was \$648,047.

7. LOAN PAYABLE

Amounts represent obligations for a state revolving loan (at 4.11% plus administration fees), used for the construction of capital assets, from the Department of Environmental Quality payable in annual and semi-annual installments. The original amount of this loan was \$2,914,744.

Changes in loan payable for the years ended June 30 were as follows:

	2008	2007
Balance, July 1	\$ 1,472,188	\$ 1,624,762
Payments	(158,909)	(152,574)
Balance, June 30	\$ 1,313,279	\$ 1,472,188

Future maturities are as follows:

Year	Principal	Interest	Admin. Fees	Total
2009	\$ 165,507	\$ 52,292	\$ 6,157	\$ 223,956
2010	172,379	45,420	5,312	223,111
2011	179,537	38,263	4,433	222,233
2012	186,992	30,808	3,516	221,316
2013	194,756	23,044	2,562	220,362
2014-2015	414,108	21,491	2,102	437,701
	\$ 1,313,279	\$ 211,318	\$ 24,082	\$ 1,548,679

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

8. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2008, are as follows:

	Interest Rates	Outstanding July 1, 2007	Increases	Decreases	Outstanding June 30, 2008
Improvement Bonds	7.60%-10.05%	\$ 320,424	\$ -	\$ (320,424)	\$ -
Revenue Bonds	2.00%-6.50%	9,790,000	-	(975,000)	8,815,000
Less deferred amount on refunding		(545,496)	101,940	-	(443,556)
		<u>\$ 9,564,928</u>	<u>\$ 101,940</u>	<u>\$ (1,295,424)</u>	<u>\$ 8,371,444</u>

Changes in long-term debt for the year ended June 30, 2007, are as follows:

	Interest Rates	Outstanding July 1, 2006	Increases	Decreases	Outstanding June 30, 2007
Improvement Bonds	7.60%-10.05%	\$ 320,424	\$ -	\$ -	\$ 320,424
Revenue Bonds	2.00%-6.50%	10,730,000	-	(940,000)	9,790,000
Less deferred amount on refunding		(634,556)	89,060	-	(545,496)
		<u>\$ 10,415,868</u>	<u>\$ 89,060</u>	<u>\$ (940,000)</u>	<u>\$ 9,564,928</u>

Current and future maturities at June 30 are summarized as follows:

	2008	2007
Current maturities - face value	\$ 1,010,000	\$ 1,295,424
Less deferred amount in refunding	(95,447)	(101,940)
	<u>\$ 914,553</u>	<u>\$ 1,193,484</u>
Future maturities - face value	\$ 7,805,000	\$ 8,815,000
Less deferred amount in refunding	(348,109)	(443,556)
	<u>\$ 7,456,891</u>	<u>\$ 8,371,444</u>

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

8. LONG-TERM DEBT (Continued)

Revenue Bonds

Revenue bonds are payable from monthly sewer and surface water user fees collected from customers connected to and benefited by the systems. The original amount was \$15,698,000 and was used to finance capital improvements and an assessment district.

Maturities of bond principal at June 30, 2008 are as follows:

Fiscal Year	Principal	Interest
2009	\$ 1,010,000	\$ 302,425
2010	1,035,000	268,700
2011	1,065,000	234,906
2012	1,095,000	198,366
2013	1,130,000	159,605
2014-2018	2,780,000	323,473
2019-2023	700,000	85,033
	8,815,000	\$ 1,572,508
Less deferred amount in refunding	(443,556)	
	\$ 8,371,444	

Under the revenue bond agreements, the District has agreed to covenants that it will charge user rates and fees in connection with the operation of the sewer system which are adequate to cover annual debt service as required by the bond agreements. The District was in compliance with these covenants during the years ended June 30, 2008 and 2007.

In prior years, the District defeased revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$6,425,000 of bonds outstanding are considered defeased.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

9. RELATED PARTY TRANSACTIONS

The Clackamas County Board of Commissioners also serves as the Board of Directors for the following related parties:

- Clackamas County
- Clackamas County Development Agency
- Clackamas County Service District No. 5
- Tri-City Service District
- Surface Water Management Agency of Clackamas County
- Housing Authority of Clackamas County
- North Clackamas Parks and Recreation District
- Clackamas County Enhanced Law Enforcement District
- Estacada Area County Service District for Library Services

The District allocated certain joint costs totaling approximately \$2,565,000 and \$2,414,000 in 2008 and 2007, respectively, to other County Service Districts.

During fiscal years 2008 and 2007, fiscal and accounting functions and certain repairs and maintenance on plant and equipment were performed by personnel of Clackamas County Water Environment Services, Department of Transportation and Development, County Treasurer and County General Services Agency. Operating expenses in the Statements of Revenues, Expenses and Changes in Net Assets for 2008 and 2007, charged by the above departments, totaled approximately \$8,300,000 and \$8,000,000, respectively.

At June 30, related party balances consist of:

	Receivable		Payable	
	2008	2007	2008	2007
Clackamas County	\$ 3,808	\$ 14,140	\$ 704,461 *	\$ 300,349 *
Clackamas County - Accrued payroll payable	-	-	367,202	340,988
Subtotal	<u>3,808</u>	<u>14,140</u>	<u>1,071,663</u>	<u>641,337</u>
Tri-City Service District	-	-	11,028,849	9,586,845
Surface Water Management Agency of Clackamas County	-	-	200,867	166,499
Subtotal	<u>-</u>	<u>-</u>	<u>11,229,716</u>	<u>9,753,344</u>
Total	<u>\$ 3,808</u>	<u>\$ 14,140</u>	<u>\$ 12,301,379</u>	<u>\$ 10,394,681</u>

*Amounts included in accounts payable on the Statements of Net Assets.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS Continued
June 30, 2008 and 2007

10. COMMITMENTS

The District is committed under contractual agreements for various construction contracts amounting to approximately \$10,058,000.

11. LITIGATION

The District has various claims and pending legal proceedings outstanding. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the District. In the opinion of management, the ultimate disposition of such proceedings is not expected to have a material adverse effect on the District.

Supplementary Information



CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
DESCRIPTION OF BUDGETARY FUNDS

For financial reporting and operating purposes, management considers the District's activities as those of a unitary enterprise operation and, as such, those activities are reported in a single enterprise fund in the preceding section of this report. However, for budgetary and legal purposes those activities are accounted for in the funds described below. Schedules for these funds, prepared on a budgetary basis, generally on the modified accrual basis of accounting, are shown on the following pages.

Sanitary Sewer and Surface Water Funds

The Sanitary Sewer and Surface Water Funds account for all activities not accounted for by the District's other funds, primarily sewerage and surface water operations. Primary resources are monthly service charges and interest earnings.

System Development Charge Funds

The Sanitary Sewer and Surface Water System Development Charge (SDC) Funds account for capital expenditures that are related to growth or capacity increases. The primary resources are connection fees.

Construction Funds

The Sanitary Sewer and Surface Water Construction Funds account for non-SDC capital expenditures. The primary resources are transfers from other funds and interest earnings.

Bancroft Bonded Debt Service Fund

The Bancroft Bonded Debt Service Fund accounts for redemption of improvement bonds and interest thereon. The primary resources are the collection of assessments and interest.

Revenue Bond Fund

The Revenue Bond Fund accounts for redemption of revenue bonds and interest thereon. The primary resource is sewer user and surface water management monthly fees transferred from other funds.

State Revolving Loan Debt Service Fund

The State Revolving Loan Debt Service Fund accounts for payment of the Department of Environment Quality loan. The primary revenue source is an operating transfer from the Sanitary Sewer Fund.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008			Variance with Final Budget Positive (Negative)	2007 Actual
	Original Budget	Final Budget	Actual		
REVENUES:					
Monthly service charges	\$ 10,480,367	\$ 10,480,367	\$ 10,760,768	\$ 280,401	\$ 9,503,937
Operation payments by cities	1,234,419	1,234,419	1,103,540	(130,880)	912,569
Assessments collected (including interest of \$50,372 in 2008 and \$55,614 in 2007)	177,000	177,000	186,821	9,821	357,657
Contract payments by cities	-	-	605,657	605,657	219,443
Sewer hookup fees	-	-	24,061	24,061	18,914
Sewer hookup contract payment (including interest of \$10,655 in 2008 and \$8,372 in 2007)	10,000	10,000	90,213	80,213	32,025
Special connection charges	350,000	350,000	214,197	(135,803)	474,380
Interest on investments	231,414	231,414	455,814	224,400	473,949
Miscellaneous	1,161,100	1,161,100	1,024,117	(136,983)	1,013,156
Rental income	-	-	-	-	1,500
Total revenues	13,644,300	13,644,300	14,465,188	820,888	13,007,530
OTHER FINANCING SOURCE:					
Transfer from Bancroft Bonded Debt Service Fund	225,210	358,029	321,564	(36,465)	-
Total revenues and other financing source	13,869,510	14,002,329	14,786,752	784,423	13,007,530
BEGINNING FUND BALANCE					
AVAILABLE FOR APPROPRIATION	1,766,902	1,766,902	2,319,299	552,397	2,052,134
	\$ 15,636,412	\$ 15,769,231	\$ 17,106,051	\$ 1,336,820	\$ 15,059,664

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL, Continued
for the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008			Variance with Final Budget Positive (Negative)	2007 Actual
	Original Budget	Final Budget	Actual		
EXPENDITURES:					
Materials and services	\$ 10,470,819	\$ 10,470,819	\$ 9,360,776	\$ 1,110,043	\$ 8,499,953
Capital outlay	-	-	365,584	(365,584)	520,133
Contingency	985,508	1,118,327	-	1,118,327	-
Total expenditures	<u>11,456,327</u>	<u>11,589,146</u>	<u>9,726,360</u>	<u>1,862,786</u>	<u>9,020,086</u>
OTHER FINANCING USES:					
Transfers to other funds:					
Revenue Bond Fund	699,860	699,860	699,860	-	698,399
Bancroft Bonded Debt Service Fund	-	-	-	-	24,352
State Revolving Loan Debt Service Fund	216,000	216,000	214,900	1,100	225,600
Sanitary Sewer Construction Fund	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>2,771,928</u>
Total other financing uses	<u>3,915,860</u>	<u>3,915,860</u>	<u>3,914,760</u>	<u>1,100</u>	<u>3,720,279</u>
Total expenditures and other financing uses	15,372,187	15,505,006	<u>\$ 13,641,120</u>	<u>\$ 1,863,886</u>	<u>\$ 12,740,365</u>
UNAPPROPRIATED ENDING FUND BALANCE					
	<u>264,225</u>	<u>264,225</u>			
	<u>\$ 15,636,412</u>	<u>\$ 15,769,231</u>			

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SANITARY SEWER SYSTEM DEVELOPMENT CHARGE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008			2007
	Original And Final Budget	Actual	Variance with Final Budget Positive (Negative)	
REVENUES:				
Connection charges	\$ 1,870,853	\$ 1,456,542	\$ (414,311)	\$ 1,741,429
Interest on investments	306,648	352,084	45,436	440,915
Total revenues	2,177,501	1,808,626	(368,875)	2,182,344
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	8,177,268	9,000,861	823,593	9,542,426
	<u>\$ 10,354,769</u>	<u>\$ 10,809,487</u>	<u>\$ 454,718</u>	<u>\$ 11,724,770</u>
	2008			
	Original And Final Budget	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
EXPENDITURES:				
Capital outlay	\$ 7,037,785	\$ 5,717,371	\$ 1,320,414	\$ 2,723,909
Contingency	600,000	-	600,000	-
Total expenditures	7,637,785	5,717,371	1,920,414	2,723,909
OTHER FINANCING USE				
Transfer to Sanitary Sewer Construction Fund	2,600,000	2,600,000	-	-
Total expenditures and other financing use	10,237,785	<u>\$ 8,317,371</u>	<u>\$ 1,920,414</u>	<u>\$ 2,723,909</u>
UNAPPROPRIATED ENDING FUND BALANCE	116,984			
	<u>\$ 10,354,769</u>			

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SURFACE WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008		Variance with Final Budget Positive (Negative)	2007 Actual
	Original and Final Budget	Actual		
REVENUES:				
Monthly service charges	\$ 3,508,220	\$ 3,446,759	\$ (61,461)	\$ 3,377,878
Interest on investments	91,563	126,860	35,297	159,032
Assessments collected (including interest)	15,000	-	(15,000)	217,896
Miscellaneous	175,000	211,562	36,562	239,792
Total revenues	<u>3,789,783</u>	<u>3,785,181</u>	<u>(4,602)</u>	<u>3,994,598</u>
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION				
	<u>2,441,692</u>	<u>2,393,786</u>	<u>(47,906)</u>	<u>2,750,036</u>
	<u><u>\$ 6,231,475</u></u>	<u><u>\$ 6,178,967</u></u>	<u><u>\$ (52,508)</u></u>	<u><u>\$ 6,744,634</u></u>
	2008		Variance with Final Budget Positive (Negative)	2007 Actual
	Original and Final Budget	Actual		
EXPENDITURES:				
Materials and services	\$ 2,923,555	\$ 2,263,258	\$ 660,297	\$ 2,473,297
Contingency	29,235	-	29,235	-
Total expenditures	<u>2,952,790</u>	<u>2,263,258</u>	<u>689,532</u>	<u>2,473,297</u>
OTHER FINANCING USES:				
Transfers to other funds:				
Revenue Bond Fund	378,340	378,340	-	377,551
Surface Water Construction Fund	1,000,000	1,000,000	-	1,500,000
Total other financing uses	<u>1,378,340</u>	<u>1,378,340</u>	<u>-</u>	<u>1,877,551</u>
Total expenditures and other financing uses	4,331,130	<u><u>\$ 3,641,598</u></u>	<u><u>\$ 689,532</u></u>	<u><u>\$ 4,350,848</u></u>
UNAPPROPRIATED ENDING FUND BALANCE				
	<u>1,900,345</u>			
	<u><u>\$ 6,231,475</u></u>			

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
 (A Component Unit of Clackamas County, Oregon)
 SURFACE WATER SYSTEM DEVELOPMENT CHARGE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 for the year ended June 30, 2008
 (with comparative totals for the year ended June 30, 2007)

	2008			2007 Actual
	Original And Final Budget	Actual	Variance with Final Budget Positive (Negative)	
REVENUES:				
Connection charges	\$ 247,592	\$ 137,965	\$ (109,627)	\$ 193,877
Interest on investments	35,933	40,416	4,483	37,907
	<u>283,525</u>	<u>178,381</u>	<u>(105,144)</u>	<u>231,784</u>
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	<u>958,217</u>	<u>907,810</u>	<u>(50,407)</u>	<u>681,482</u>
	<u>\$ 1,241,742</u>	<u>\$ 1,086,191</u>	<u>\$ (155,551)</u>	<u>\$ 913,266</u>
EXPENDITURES:				
Capital outlay	\$ -	\$ -	\$ -	\$ 5,456
Contingency	200,000	-	200,000	-
	<u>200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 5,456</u>
UNAPPROPRIATED ENDING FUND BALANCE	<u>1,041,742</u>			
	<u>\$ 1,241,742</u>			

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
SURFACE WATER CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008			2007 Actual
	Original And Final Budget	Actual	Variance with Final Budget Positive (Negative)	
REVENUES:				
Interest on investments	\$ 153,533	\$ 163,531	\$ 9,998	\$ 113,474
Capital project participation	-	40,682	40,682	59,902
Grants	200,000	166,307	(33,693)	-
Miscellaneous	-	-	-	200
Total revenues	353,533	370,520	16,987	173,576
OTHER FINANCING SOURCE:				
Transfer from Surface Water Fund	1,000,000	1,000,000	-	1,500,000
Total revenues and other financing source	1,353,533	1,370,520	16,987	1,673,576
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	<u>4,094,211</u>	<u>4,134,808</u>	<u>40,597</u>	<u>2,633,204</u>
	<u>\$ 5,447,744</u>	<u>\$ 5,505,328</u>	<u>\$ 57,584</u>	<u>\$ 4,306,780</u>
2008				
	Original And Final Budget	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
EXPENDITURES:				
Capital outlay	\$ 950,000	\$ 377,562	\$ 572,438	\$ 171,972
Contingency	95,000	-	95,000	-
Total expenditures	1,045,000	<u>\$ 377,562</u>	<u>\$ 667,438</u>	<u>\$ 171,972</u>
UNAPPROPRIATED ENDING FUND BALANCE	<u>4,402,744</u>			
	<u>\$ 5,447,744</u>			

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
BANCROFT BONDED DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008				2007 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
REVENUES:					
Collection of assessment principal	\$ 4,000	\$ 4,000	\$ 2,393	\$ (1,607)	\$ 13,458
Collection of assessment interest	1,000	1,000	2,776	1,776	6,286
Interest on investments	21,529	111,529	71,699	(39,830)	112,223
Total revenues	26,529	116,529	76,868	(39,661)	131,967
OTHER FINANCING SOURCE:					
Transfer from Sanitary Sewer Fund	-	-	-	-	24,352
Total revenues and other financing source	26,529	116,529	76,868	(39,661)	156,319
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION					
	574,101	574,101	577,297	3,196	445,330
	<u>\$ 600,630</u>	<u>\$ 690,630</u>	<u>\$ 654,165</u>	<u>\$ (36,465)</u>	<u>\$ 601,649</u>
2008					
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
EXPENDITURES:					
Principal on bonds	\$ 320,424	\$ 320,424	\$ 320,424	\$ -	\$ -
Interest on bonds	12,177	12,177	12,177	-	24,352
Total expenditures	332,601	332,601	332,601	-	24,352
OTHER FINANCING USE					
Transfer to Sanitary Sewer Fund	225,210	358,029	321,564	36,465	-
Total expenditures and other financing use	557,811	690,630	<u>\$ 654,165</u>	<u>\$ 36,465</u>	<u>\$ 24,352</u>
UNAPPROPRIATED ENDING FUND BALANCE					
	42,819	-			
	<u>\$ 600,630</u>	<u>\$ 690,630</u>			

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County, Oregon)
REVENUE BOND FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
for the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008			2007 Actual
	Original And Final Budget	Actual	Variance with Final Budget Positive (Negative)	
REVENUES:				
Principal collections	\$ 30,000	\$ 95,607	\$ 65,607	\$ 58,825
Interest collections	8,000	25,345	17,345	22,698
Interest on investments	63,448	65,798	2,350	72,270
Total revenues	<u>101,448</u>	<u>186,750</u>	<u>85,302</u>	<u>153,793</u>
OTHER FINANCING SOURCES:				
Transfer from Sanitary Sewer Fund	699,860	699,860	-	698,399
Transfer from Surface Water Fund	378,340	378,340	-	377,551
Total other financing sources	<u>1,078,200</u>	<u>1,078,200</u>	<u>-</u>	<u>1,075,950</u>
Total revenues and other financing sources	<u>1,179,648</u>	<u>1,264,950</u>	<u>85,302</u>	<u>1,229,743</u>
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	<u>1,691,953</u>	<u>1,718,836</u>	<u>26,883</u>	<u>1,808,281</u>
	<u><u>\$ 2,871,601</u></u>	<u><u>\$ 2,983,786</u></u>	<u><u>\$ 112,185</u></u>	<u><u>\$ 3,038,024</u></u>
2008				
EXPENDITURES:				
Principal on bonds	\$ 975,000	\$ 975,000	-	\$ 940,000
Interest on bonds	336,990	336,988	2	379,188
Total expenditures	<u>1,311,990</u>	<u>\$ 1,311,988</u>	<u>\$ 2</u>	<u>\$ 1,319,188</u>
UNAPPROPRIATED ENDING FUND BALANCE	<u>1,559,611</u>			
	<u><u>\$ 2,871,601</u></u>			

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(A Component Unit of Clackamas County)
RECONCILIATION OF REVENUES AND EXPENDITURES TO CHANGES IN NET ASSETS
for the years ended June 30, 2008 and 2007

<u>Budgetary Basis</u>	2008 <u>Combined</u>	2007 <u>Combined</u>
Revenues	\$ 21,145,441	\$ 20,029,957
Expenditures	<u>25,427,151</u>	<u>21,232,152</u>
	(4,281,710)	(1,202,195)
Add (deduct) items to reconcile to change in net assets on an enterprise fund reporting basis:		
Payment of bond principal	1,295,424	940,000
Expenditures capitalized	12,177,326	8,855,494
Increase (decrease) in accrued interest receivable	43,166	29,693
Decrease in accrued interest payable on long-term debt	13,108	13,460
Depreciation expense	(4,543,307)	(3,872,590)
Assessment and contract principal collected	(332,250)	(649,581)
State loan repayment	158,909	152,574
Increase (decrease) in sewerage user charges receivable, net of change in deferred revenue	244,100	3,848
Increase (decrease) in other receivables	3,530	18,370
Increase (decrease) in prepaid expenses and other construction expenses	(4,552)	(112,253)
Contributions from governments, developers and customers	6,268,912	8,468,757
Amortization of deferred amount in refunding	(101,940)	(89,060)
Amortization of issuance costs	(12,915)	(11,283)
Assessments levied and contracts issued	-	336,351
Other	(244,420)	(9,679)
Change in net assets	<u>\$ 10,683,381</u>	<u>\$ 12,871,906</u>

Statistical Section



STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	40
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue source, user fees.	42
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. The District does not have any indebtedness subject to the legal debt limitation in accordance with Oregon Revised Statutes 451.545; consequently, the schedule of the computation of legal debt margin is not included in the statistical section.	45
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	48
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	50

Source: The information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year, unless otherwise noted.

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CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

NET ASSETS BY COMPONENT
Last Eight Fiscal Years

Fiscal Year Ended June 30,	Invested in Capital Assets Net of Related Debt	Restricted	Unrestricted	Total Net Assets
2001	\$ 66,825,921	\$ 8,713	\$ 9,596,962	\$ 76,431,596
2002	64,510,088	469,279	20,055,700	85,035,067
2003	69,667,522	1,198,212	18,704,048	89,569,782
2004	74,103,811	1,874,692	23,251,928	99,230,431
2005	79,882,240	2,184,167	26,954,458	109,020,865
2006	83,620,010	2,391,417	30,940,615	116,952,042
2007	97,963,154	2,439,378	29,421,416	129,823,948
2008	113,214,147	1,785,864	25,507,318	140,507,329

Source: District's Comprehensive Annual Financial Report

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

CHANGES IN NET ASSETS
Last Eight Fiscal Years

	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
	(As Reclassified)							
Operating revenues:								
Sewerage and surface water charges	\$ 9,784,441	\$ 10,986,782	\$ 11,118,582	\$ 11,446,558	\$ 11,467,848	\$ 11,924,297	\$ 12,885,994	\$ 14,350,227
Municipal and other	1,036,934	1,090,873	1,203,637	1,126,537	1,316,384	1,293,175	1,131,985	1,205,243
Other operating revenues	296,136	529,758	783,771	1,227,306	1,360,865	1,430,261	1,240,558	1,134,552
Total operating revenues	<u>11,117,511</u>	<u>12,607,413</u>	<u>13,105,990</u>	<u>13,800,401</u>	<u>14,145,097</u>	<u>14,647,733</u>	<u>15,258,537</u>	<u>16,690,022</u>
Operating expenses:								
Contracted salaries and benefits	5,595,122	6,075,965	6,581,754	6,663,540	7,030,058	7,850,246	8,185,401	8,343,314
Professional services	428,713	526,334	451,807	659,395	452,281	714,569	959,139	1,053,673
Supplies	650,401	449,812	740,445	1,323,352	629,967	641,754	318,995	843,911
Administrative costs	330,952	847,310	794,339	691,773	427,024	451,411	499,577	447,725
Repairs and maintenance	398,463	597,985	-	-	1,591,556	135,005	214,759	176,153
Utilities	-	-	583,231	555,852	502,721	536,692	641,688	685,991
Depreciation	3,075,795	2,977,686	3,072,607	3,748,737	3,786,380	3,709,411	3,872,590	4,543,307
Total operating expenses	<u>10,479,446</u>	<u>11,475,092</u>	<u>12,224,183</u>	<u>13,642,649</u>	<u>14,419,987</u>	<u>14,039,088</u>	<u>14,692,149</u>	<u>16,094,074</u>
Operating income / (loss)	<u>638,065</u>	<u>1,132,321</u>	<u>881,807</u>	<u>157,752</u>	<u>(274,890)</u>	<u>608,645</u>	<u>566,388</u>	<u>595,948</u>
Nonoperating revenue (expense):								
Interest income	845,496	706,457	530,806	549,024	825,700	983,464	1,683,992	1,684,674
Interest expense	(859,548)	(813,765)	(650,776)	(707,246)	(571,610)	(519,223)	(463,053)	(401,913)
Other nonoperating revenue (expenses)	(1,355,483)	42,500	(19,735)	258,366	(98,148)	(583,679)	(210,424)	17,092
Total nonoperating revenue (expense)	<u>(1,369,535)</u>	<u>(64,808)</u>	<u>(139,705)</u>	<u>100,144</u>	<u>155,942</u>	<u>(119,438)</u>	<u>1,010,515</u>	<u>1,299,853</u>
Income (loss) before contributions	<u>(731,470)</u>	<u>1,067,513</u>	<u>742,102</u>	<u>257,896</u>	<u>(118,948)</u>	<u>489,207</u>	<u>1,576,903</u>	<u>1,895,801</u>
Contributions	4,411,457	7,535,958	3,792,613	9,402,753	9,909,382	7,441,970	11,295,003	8,787,580
Change in Net Assets	<u>\$ 3,679,987</u>	<u>\$ 8,603,471</u>	<u>\$ 4,534,715</u>	<u>\$ 9,660,649</u>	<u>\$ 9,790,434</u>	<u>\$ 7,931,177</u>	<u>\$ 12,871,906</u>	<u>\$ 10,683,381</u>

Source: District's Comprehensive Annual Financial Report

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

USER FEE REVENUE BY TYPE OF CUSTOMER
Last Eight Fiscal Years

Type of Customer	Fiscal Year							
	2001	2002	2003	*Revised 6/30/08 2004	2005	2006	2007	2008
Sanitary Sewer								
Cities	\$ 1,036,934	\$ 1,090,873	\$ 1,208,675	\$ 1,126,537	\$ 1,316,384	\$ 1,293,175	\$ 1,131,985	\$ 1,205,243
Residential	3,300,698	3,449,296	3,548,032	3,697,786	3,711,885	4,001,940	4,477,024	5,147,973
Commercial	1,397,168	1,369,962	1,338,635	1,297,719	1,288,617	1,309,828	1,390,506	1,625,333
Industrial	340,578	343,992	317,232	435,111	406,539	497,921	558,458	614,800
Other	2,738,728	2,785,650	2,816,374	2,828,342	2,860,485	2,806,628	3,071,305	3,493,299
Surface Water								
Residential	586,946	907,068	936,498	970,515	975,586	1,035,692	1,084,584	1,122,024
Commercial	1,331,291	2,017,471	2,033,809	2,078,701	2,073,565	2,096,338	2,105,872	2,126,766
Other	89,032	113,343	122,964	138,383	151,171	175,950	198,245	220,033
Total	\$ 10,821,375	\$ 12,077,655	\$ 12,322,219	\$ 12,573,094	\$ 12,784,232	\$ 13,217,472	\$ 14,017,979	\$ 15,555,471

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

ASSESSED AND TRUE CASH VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Assessed Valuation	True Cash Valuation	Assessed Value as a percentage of True Cash
1999	\$ 2,741,150,050	\$ 4,248,877,280	64.5%
2000	2,946,135,840	4,622,778,690	63.7%
2001	3,154,175,724	4,963,330,843	63.5%
2002	3,381,459,117	5,238,825,148	64.5%
2003	3,801,200,647	5,485,392,214	69.3%
2004	4,033,419,091	5,815,093,563	69.4%
2005	4,263,803,356	6,349,041,240	67.2%
2006	4,605,019,048	7,258,965,866	63.4%
2007	5,287,112,730	8,725,660,469	60.6%
2008	5,726,528,415	10,181,943,186	56.2%

Source: Clackamas County Department of Assessment and Taxation

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

PRINCIPAL PROPERTY TAXPAYERS WITHIN DISTRICT¹
Current Year and Nine Years Ago

	2008				1999			
	Taxable Assessed Valuation	Rank	Percentage of Total District Taxable Assessed Value	%	Taxable Assessed Valuation	Rank	Percentage of Total District Taxable Assessed Value	%
<u>Private Enterprises</u>								
Fred Meyer Stores Inc #651	\$ 175,938,129	1	0.54	%				
General Growth Properties Inc	136,749,352	2	0.42					
PCC Structurals Inc	83,838,807	3	0.26		58,061,500	5	0.29	
Shorenstein Properties LLC	72,368,247	4	0.22					
Xerox Corporation	69,033,458	5	0.21					
Safeway Stores Inc	50,761,633	6	0.16					
Mentor Graphics Corp	48,824,089	7	0.15		55,213,620	6	0.28	
Warn Industries, Inc	46,387,977	8	0.14					
Kaiser Foundation Hospital	43,643,091	9	0.13					
United Western Grocers	43,047,373	10	0.13					
Clackamas Assoc Ltd Partnership					98,968,820	1	0.49	
Speiker Properties LP					85,793,970	2	0.43	
Tektronix					67,246,370	3	0.34	
Wilmington Trust					64,741,390	4	0.32	
The Kruse Development Co					39,344,960	7	0.20	
Smurfit Newsprint Corp					38,731,820	8	0.19	
Blount Inc					31,711,020	9	0.16	
Capital Realty Corp					23,963,900	10	0.12	
<u>Public Utilities</u>								
Portland General Electric Co	457,385,000		1.40		261,352,400		1.31	
Northwest Natural Gas Co	171,088,700		0.52		80,904,800		0.40	
Qwest Corporation	68,453,400		0.21		81,832,800		0.41	
All Other Taxpayers	31,188,451,424		95.51		19,013,548,350		95.06	
Total	\$ 32,655,970,680		100.00	%	\$ 20,001,415,720		100.00	%

Source: Clackamas County Department of Assessment and Taxation

¹Clackamas County in its entirety

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Bancroft Improvement Bonds	Loan Payable	Total	Percentage of Personal Income	Per Capita
1999	\$ 11,435,000	\$ 1,800,424	\$ 2,583,933	\$ 15,819,357	0.63	% \$ 213
2000	10,995,000	1,415,424	2,420,625	14,831,049	0.52	191
2001	10,535,000	1,045,424	2,301,097	13,881,521	0.50	178
2002	12,748,000	690,424	2,176,607	15,615,031	0.56	198
2003	13,188,000	350,424	2,046,947	15,585,371	0.55	196
2004	12,415,000	335,424	1,911,904	14,662,328	0.48	181
2005	11,595,000	320,424	1,771,253	13,686,677	0.42	166
2006	10,730,000	320,424	1,624,762	12,675,186	0.36	150
2007	9,790,000	320,424	1,472,188	11,582,612	NA	134
2008	8,815,000	-	1,313,279	10,128,279	NA	115

Note:

(1) Details regarding the District's outstanding debt can be found in the Basic Financial Statements in Notes 7 and 8.

NA: Not available

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

OVERLAPPING GENERAL OBLIGATION BONDED DEBT
June 30, 2008

Governmental Unit	Debt Outstanding	Percent Overlapping	Overlapping General Obligation Bonded Debt
Debt repaid with property taxes:			
City of Happy Valley	\$ 5,000,000	93.0 %	\$ 4,648,815
Clackamas Community College	40,205,000	23.4	9,398,039
Clackamas County	48,775,000	16.9	8,251,950
Clackamas County Rural Fire Protection District #1	5,695,000	48.9	2,782,964
Clackamas County School District #115 (Gladstone)	46,741,673	17.7	8,280,100
Clackamas County School District #12 (North Clackamas)	302,476,142	60.7	183,629,334
Metro	205,626,671	4.7	9,587,960
Mt Hood Community College	5,645,000	0.1	4,110
Multnomah County School District #28J (Centennial)	36,424,685	0.1	38,173
Oak Lodge Water District	1,290,000	14.1	181,466
Sunrise Water Authority	665,000	79.8	530,820
Tri-Metropolitan Transportation District	44,395,000	4.4	1,955,333
Other Debt:			
City of Gladstone	2,465,000	17.9	442,396
Clackamas Community College	53,520,000	23.4	12,510,461
Clackamas County	28,440,000	16.9	4,811,593
Clackamas County Education Service District	27,350,000	17.7	4,842,017
Clackamas County Rural Fire Protection District #1	20,320,000	48.9	9,929,734
Clackamas County School District #115 (Gladstone)	15,437,267	17.7	2,734,650
Clackamas County School District #12 (North Clackamas)	106,902,612	60.7	64,899,186
Clackamas County School District #46 (Oregon Trail)	665,000	0.5	3,300
Metro	74,480,000	4.7	3,472,853
Mt. Hood Community College	54,388,742	0.1	39,595
Multnomah County School District #28J (Centennial)	601,667	0.1	631
Multnomah County Education Service District	37,225,000	0.0	1,303
North Clackamas Parks & Recreation District	14,360,000	60.7	8,714,840
Port of Portland	73,096,046	4.2	3,096,056
	<u>\$ 1,252,190,505</u>		<u>\$ 344,787,679</u>

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District.

The State of Oregon provides overlapping debt data based on real market valuation of properties for each jurisdiction.

Source: Municipal Debt Advisory Commission, State of Oregon

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

SPECIAL ASSESSMENT BONDS

Fiscal Year Ended June 30,	Assessment Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 61,389	\$ -	\$ 61,389	\$ 395,000	\$ 139,137	11.49 %
2000	24,894	-	24,894	385,000	113,122	5.00
2001	14,762	-	14,762	370,000	87,631	3.23
2002	458,412	-	458,412	355,000	62,945	109.68
2003	875,776	-	875,776	340,000	149,039	179.08
2004	755,777	-	755,777	113,000	135,096	304.63
2005	20,940	-	20,940	15,000	25,106	52.21
2006	20,222	-	20,222	-	24,352	83.04
2007	19,744	-	19,744	-	24,352	81.08
2008	5,169	-	5,169	320,424	12,177	1.55

Source: District's records

All Bancroft bonded debt was paid as of 06/30/08.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Ended June 30,	Population Estimate ³	Personal Income ^{1, 2}	Per Capita Personal Income ^{1, 2}	Unemployment Rate (PMSA) %
1999	74,257	\$ 2,500,158,933	\$ 33,669	4.3
2000	77,632	2,838,846,976	36,568	4.5
2001	78,020	2,782,037,160	35,658	3.9
2002	78,777	2,782,088,532	35,316	5.9
2003	79,358	2,854,745,334	35,973	6.7
2004	81,055	3,050,180,705	37,631	7.4
2005	82,576	3,230,042,816	39,116	6.8
2006	84,639	3,502,192,542	41,378	5.4
2007	86,373	N/A	N/A	4.6
2008	88,004	N/A	N/A	4.8

Source: Center for Population Research and Census, U.S. Bureau of Labor Statistics and State of Oregon Employment Department

¹1999-2005 Per Capita Personal Income statistics revised June, 2008.

²Figures are for calendar year; Per Capita Income for 2007 and 2008 is not available.

³Population estimate based on 2.56 people per dwelling unit in Clackamas County Service District No. 1.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2008			1999		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Intel Corp.	16,000	1	.02 %	10,300	1	.01 %
Fred Meyer Stores	13,000	2	.01	9,065	2	.01
Oregon Health & Sciences University	12,100	3	.01	3,893	9	.00
Providence Health System	12,000	4	.01	5,220	5	.01
Kaiser Foundation Health Plan of the NW	8,789	5	.01	7,025	3	.01
City of Portland	8,613	6	.01			
Legacy Health System	8,196	7	.01	4,402	7	.00
Wells Fargo	5,306	8	.01			
Beaverton School District	5,000	9	.00			
Nike Inc.	5,000	10	.00			
U.S. Bancorp				5,322	4	.01
Tektronix Inc.				5,000	6	.01
Freightliner Corp.				4,000	8	.00
Safeway, Inc., Portland Division				3,668	10	.00
Total	<u>94,004</u>		<u>0.09 %</u>	<u>57,895</u>		<u>0.06 %</u>

Source: Statistics are the latest available data published in the Portland Business Journal *Book of Lists* 2008 and 1999.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Business & Financial Services	12	16	19	23	23	18	16	17	17	16
Asset and Capacity Management	20	16	16	13	16	18	23	24	24	29
Water Quality Services	29	27	28	28	25	28	31	32	29	29
Environmental Monitoring Services	8	7	7	7	12	9	11	11	15	15
Total	<u>69</u>	<u>66</u>	<u>70</u>	<u>71</u>	<u>76</u>	<u>73</u>	<u>81</u>	<u>84</u>	<u>85</u>	<u>89</u>

Water Environment Services is responsible for the general management and operation of Clackamas County Service District No. 1, Tri-City Service District, and the Surface Water Management Agency of Clackamas County. Employees when possible, directly charge their time to appropriate service districts. Otherwise, their time is allocated. Hence, employee counts listed above are expressed in full time equivalents devoted to Clackamas County Service District No. 1 operations.

Source: District's records

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Business-type activities:										
Sanitary Sewer										
Monthly service charge	\$ 19.50	\$ 21.45	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 23.00	\$ 26.00
Total amount collected	\$ 7,089,156	\$ 8,140,150	\$ 8,813,939	\$ 9,039,773	\$ 9,228,948	\$ 9,385,496	\$ 9,583,910	\$ 9,909,492	\$ 10,629,278	\$ 12,086,648
Percentage increase	10.1%	14.8%	8.3%	2.6%	2.1%	1.7%	2.1%	3.4%	7.3%	13.7%
Connection fees/EDU	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200
Total amount collected	\$ 1,875,111	\$ 2,367,333	\$ 1,813,721	\$ 1,568,658	\$ 1,486,271	\$ 1,557,526	\$ 2,733,197	\$ 3,965,201	\$ 2,234,723	\$ 1,480,603
Percentage increase/(decrease)	13.3%	26.3%	-23.4%	-13.5%	-5.3%	4.8%	75.5%	45.1%	-43.6%	-33.7%
Kellogg Hydraulic treatment capacity										
(in million gallons/day)	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129	10.129
Current flows										
(in million gallons/day)	9.634	9.232	7.485	8.4	9.704	8.478	8.314	8.724	8.67	8.73
Surface Water Management										
Monthly service charge	\$ 4.00	\$ 4.00	\$ 4.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Total amount collected	\$ 1,863,968	\$ 1,935,613	\$ 2,007,436	\$ 3,037,882	\$ 3,093,271	\$ 3,187,599	\$ 3,200,323	\$ 3,307,980	\$ 3,388,701	\$ 3,468,822
Percentage increase	6.9%	3.8%	3.7%	51.3%	1.8%	3.0%	0.4%	3.4%	2.4%	2.4%
Connection fees/EDU	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205
Total amount collected	\$ 237,531	\$ 269,062	\$ 178,248	\$ 150,510	\$ 138,530	\$ 119,515	\$ 242,588	\$ 252,792	\$ 193,877	\$ 137,965
Percentage increase/(decrease)	150.3%	13.3%	-33.8%	-15.6%	-8.0%	-13.7%	103.0%	4.2%	-23.3%	-28.8%

Source: District's records

Residential EDU's equal one dwelling unit; commercial EDU's equal 1,900 sq. ft. of interior floor space or per quarter acre of land.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
(a Component Unit of Clackamas County, Oregon)

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Business-type Activities:										
Sanitary Sewer										
Treatment Plants	3	3	3	3	3	3	3	3	3	3
Sand Filters	1	1	1	1	1	1	1	1	1	1
Pump Stations	12	12	11	11	11	11	12	12	12	12
Miles of Pipe	223.9	232.9	240.9	250.9	254.9	261.9	275.9	281.9	301	308
Surface Water										
Catch Basins / Manholes	NA	NA	NA	NA	NA	NA	NA	8,000	8,049	14,901
Continuous Monitoring Stations	5	5	5	5	5	5	5	5	5	5

NA - Not available

Source: District's records

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Compliance Reports





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**INDEPENDENT AUDITOR'S REPORT 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**

December 22, 2008

Board of County Commissioners of
Clackamas County, Oregon as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

We have audited the basic financial statements of Clackamas County Service District No. 1 (the District), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008. 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.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

**INDEPENDENT AUDITOR'S REPORT 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 (Continued)**

Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following to be a material weakness in internal control over financial reporting.

The District's finance department prepares financial statements for the use of management and the Board to achieve the District's operational goals and objectives. However, the preparation of financial statements and all appropriate disclosures to be in conformity with accounting principles generally accepted in the United States of America (GAAP) is not a primary focus. As a result, the District appears to lack the expertise to independently prepare the financial statements consistent with requirements for reporting under GAAP.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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, 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of County Commissioners, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Kowala & Warwick LLP

Certified Public Accountants

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

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**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

December 22, 2008

Board of County Commissioners of
Clackamas County, Oregon as Governing Body of
Clackamas County Service District No. 1
Oregon City, Oregon

We have audited the basic financial statements of Clackamas County Service District No. 1 (the District), a component unit of Clackamas County, Oregon as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our reporting relating to internal control over financial reporting is contained on pages 53 and 54 of this report.

ADEQUACY OF ACCOUNTING RECORDS

We found the District's accounting records to be adequate for audit purposes.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Reference should be made to the Clackamas County Comprehensive Annual Financial Report for the year ended June 30, 2008 for compliance relating to collateralization.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2008, the District was in compliance with ORS Chapter 294 as it pertains to investment of public funds.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Page 2

LEGAL REQUIREMENTS RELATING TO DEBT

The bonded debt of the District is in compliance with the limitations imposed by ORS 451.545. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the District's liabilities, and no breach of the bond agreements, at June 30, 2008.

BUDGET COMPLIANCE

The District appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget for the year ended June 30, 2008, and the preparation and adoption of its budget for the year ending June 30, 2009, except as noted below. A description of the budgeting process is included in the Notes to Basic Financial Statements.

Expenditures for capital outlay exceeded appropriations by \$365,584 in the Sanitary Sewer Fund.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2008. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 2008.

PUBLIC CONTRACTS

The District's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

OTHER

Compliance with the following *Minimum Standards for Oregon Municipal Corporations* is not applicable to the District:

- Programs funded from outside sources.
- Financial reporting requirements.
- Use of Highway funds.

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**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

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This report is intended solely for the information and use of the Board of County Commissioners, management and the Oregon Secretary of State Audits Division, and is not intended to be and should not be used by anyone other than these specified parties.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Timothy R. Gillette, Partner

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