



**WASHINGTON COUNTY CONSOLIDATED
COMMUNICATIONS AGENCY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2019

Prepared by:
WCCCA Finance Department

Washington County Consolidated Communications Agency
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Kelly Dutra, Director

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Washington County Consolidated Communications Agency

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Introductory Section

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Washington County Consolidated Communications Agency

December 20, 2019

Mayor Dennis Doyle, Chair and Members of the Board of Commissioners

We are pleased to submit the Comprehensive Annual Financial Report of Washington County Consolidated Communications Agency (WCCCA or Agency) for the fiscal year ended June 30, 2019. State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Talbot, Korvola and Warwick, LLP has issued an unmodified ("clean") opinion on the Agency's financial statements for the year ended June 30, 2019. The Independent Auditor's Report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Agency is a local government established to provide countywide dispatch operations for 9-1-1 call answering and all fire, emergency medical services (EMS) and law enforcement dispatching. The Agency is an Oregon Revised Statutes (ORS) Chapter 190 Intergovernmental Agency established to provide 9-1-1 service and public safety communications for police, fire, and EMS in Washington County, Oregon. The Agency operates under the authority of ORS 190.010 and is established as a 9-1-1 jurisdiction in accordance with ORS 401.710 to 401.790

As a Chapter 190 organization, the Agency is effectively a partnership established and governed by the following governments: Washington County; City of Hillsboro; City of Beaverton; Tualatin Valley Fire and Rescue; City of Tigard; City of Tualatin; City of Forest Grove; City of Sherwood; City of Cornelius; City of King City; City of Gaston; City of North Plains; Banks Fire District Number 13; City of Durham; City of Banks; Cornelius Rural Fire District; and Gaston Rural Fire District. The Agency's Board of Commissioners is comprised of one representative from each of these participating jurisdictions.

The Agency dispatches emergency services personnel to an area encompassing over 900 square miles. The area includes all of Washington County, a portion of northwest Clackamas County, a portion of Yamhill County surrounding the Cities of Newberg & Dundee and portions of the western area of Multnomah County contiguous with the boundaries of Tualatin Valley Fire and Rescue.

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"Excellence In Emergency Communications"

The Board of Commissioners of the Agency is responsible for the appointment of the Director, strategic planning, establishment of Agency service levels and performance standards, adoption of the annual budget, and approval of all contracts over \$100,000.

The Chief Executive Officers (CEO) Board's function is to provide oversight of and assistance to the Director in Agency operational matters; consider and make recommendations to the full Board on budgetary issues; contracts up to \$100,000; salary levels, labor negotiations; approve policies and strategies to meet established Agency service levels; serve as the Local Contract Review Board; and provide for an annual audit of the Agency's finances. The CEO Board is comprised of the Chair of the Board of Commissioners, whom shall be the Chair of the Board and the CEO Board, the Chief Administrative Officers or their designees from the two (2) largest Agency members (as determined by the user fee contribution schedule) and two additional Chief Administrative Officer members who shall be appointed at-large by the Voting Board.

On an annual basis, the Agency prepares a budget for its funds, all of which conduct governmental activities. Although not subject to the State of Oregon budget law, the Agency chooses to follow the defined processes established in that law. Anticipated revenues and planned expenditures are estimated by management, reviewed by the CEO Board and proposed to the Budget Committee. Once the Budget Committee has approved the appropriations for the upcoming fiscal year, a public hearing is held before the Board of Commissioners (the Board). The Board may make changes within defined limits and adopts the budget for all funds by resolution. Upon adoption, the Agency is required to operate within the established category levels of appropriations as stated in the resolution: personnel services, materials and services, capital outlay. Any changes that are necessary at the category level of the budget must be approved by the Board by resolution.

WCCCA's Board of Commissioners has established a mission statement for the Agency, which reflects WCCCA's commitment to providing quality services to all of its customers: "*WCCCA is committed to providing timely, efficient and compassionate communication services to all citizens through innovation, employee excellence, and partnerships with public-safety providers.*" With this mission in mind, and as a high-reliability, learning organization, WCCCA strives to achieve excellence in emergency communications through support of employees, strategic involvement of member agencies, the efficiency of partnerships, comprehensive training, in-depth attention to quality assurance programs and vision toward the future.

Local Economy

Washington County (the County) has the second largest population of Oregon counties with a July 1, 2018 population estimate of 606,280. The County's population growth was the third fastest growing county in Oregon at 1.7% just behind Deschutes County at 3.3% and Crook County with a growth rate of 2.7% respectively. The County's population includes two of the state's largest cities, Hillsboro and Beaverton. If the population of Washington County's unincorporated area was ranked among cities, it would be Oregon's second largest city.

The Washington County area serves as the home to internationally recognized companies such as Intel, Nike, Genentech, Mentor Graphics, In Focus, and Tektronix. Top metropolitan area employers include Intel, Nike, Providence St. Vincent Hospital, Target Stores, Tektronix, Home Depot, Kaiser Permanente, Rite Aid Corporation, Xerox Office Business Group, TriQuint Semiconductor and Tuality Healthcare, exclusive of large government employers. The top ten taxpayers within Washington County are Intel, Nike Inc., Portland General Electric, Pacific Realty Associates, NW Natural Gas, Comcast Corporation, Verizon Communications, Genentech, Inc., LAM Research Corporation, and PPR Washington Square LLC.

As an ORS 190 organization, the Agency is funded primarily by user fees from the participating jurisdictions and the State of Oregon levied 9-1-1 telephone excise taxes. The 9-1-1 excise tax is a state-mandated tax of 75 cents per month levied on all devices, including contract cellular phone lines, pre-paid wireless devices and voice over internet protocol (VoIP) devices, which have access to 9-1-1. During the 2013 legislative session, the Oregon Legislature extended the 9-1-1 excise tax to December 31, 2022. With the 2009 legislative session, interest earnings on these funds were no longer credited to the recipient governments, but to the State. While we've seen some decline in these revenues in years past, we have seen an increase

in the following recent fiscal years; FY 18/19 3.0%, FY17/18 4.1% and FY16/17 3.1%. There has been much discussion at the State level and among the 9-1-1 Centers across the state about the cost of the 9-1-1 function, an excise tax that hasn't seen an increase since its inception in 1981 and funding next generation technologies. At the very end of the 2019 Legislative Session, the House and the Senate passed HB2449, assuring a \$.25 per line increase beginning January 1, 2020 and an additional \$.25 increase per line beginning January 1, 2021. It also restores the interest on the tax earnings from the State back to the 9-1-1 35% Sub-Account, which funds 9-1-1 related equipment. This bill was signed by the Governor in August 2019. 9-1-1 Centers won't begin to see this increased revenue until around first quarter of Fiscal Year 20/21. These upcoming increases will provide some relief to the budgets of our member agencies while allowing WCCCA to create a more financially sustainable long-term financial plan providing for the needs of our internal and external stakeholders and customers. The tax will now sunset on December 31, 2029.

The strength of our Agency resides in its committed partnership base of all participating jurisdictions. Member agencies include municipalities, fire districts, and the County, which are supported by property taxes and a number of other sources of revenue. The Agency annually updates its financial plan and five year forecast to project expenditures and to allow members to plan for the future needs of the Agency. Annual cost increases to our members continues to be in the Agency's focus and a driver in everything that we plan and execute in our commitment to excellence.

Long-term Financial Planning

Unassigned fund balance in the General Fund at year end was 45% of general fund operating expenditures. This percentage is above the minimum target fund balance set by the Board of 12%, which is representative of approximately 45 days' operating expense. This is primarily due to vacancies in staffing. The target fund balance is 12% as directed by WCCCA's Board of Commissioners, and heading into the next fiscal year, the Agency will begin building a reserve for capital asset replacement and operational emergencies.

On an annual basis, the Agency develops a long-range financial forecast which is part of the budgeting process and approved by the Board of Commissioners. The forecast includes only the General Fund which encompasses all of the operations of the Agency. The first year of the adopted forecast provides a plan for the Agency to use in developing the ensuing year's budget. This annual financial forecasting provides the Board and management with a long-term view of the financial health of the Agency, and offers strategic approaches to planning for service levels and predictability of the cost to the member governments that direct the Agency.

“WCCCA’s mission is to support the public safety of our community through:

- *Rapid dispatch of appropriate first responders aided with the best information available;*
- *Ongoing communications innovations and problem-solving partnerships with public safety providers, and*
- *Outstanding assistance to every citizen.”*

This year, WCCCA has carried forward funds to begin working with a consultant on a strategic plan to capture and update goals based on a number of changes that are in progress. This plan will include a business model that encompasses technological and operational changes ahead which could change how and what type of service is provided; the operation of a successful organization with limited revenues; cost controls and the financial impacts to our members.

In 2020, we look forward to moving into a new facility at a new location, thanks to the \$77 million bond placed on the ballot on our behalf by Washington County and approved by the citizens of Washington County in 2016, which will provide stability in continuity of operation. Additional emphasis will be on long-term capital planning to address needs for the next 10 to 20 years, including life cycle plans, procurement and maintenance of the critical systems relied upon by our citizens and our member agencies and with an eye on the technological horizon. As we create this new plan, we continue to strive to achieve the following goals:

Real Time Public Safety Response Goals

- 1. Answer 9-1-1 calls quickly and effectively:** *Meet or exceed benchmarks for the speed of emergency call answering and the quality of assistance provided to the caller.*
- 2. Optimal timeliness in Fire & EMS dispatch:** *Meet or exceed benchmarks for providing triage, dispatching the right fire/EMS resource efficiently and following through with quality event and location information support. Saving lives is our business.*
- 3. Effective police dispatch:** *Meet or exceed benchmarks for effective police dispatch timeliness, resource management, and information quality. Provide reliable data for members records management systems.*
- 4. Safe, efficient radio management:** *Maintain a robust and current emergency communications system that provides airwaves for what matters most.*

Ongoing Public Safety Partner Support Goals

- 5. Partner with our member agencies in public safety problem solving, excellent service and efficiencies:** *Enhance police and fire responders' ability to perform their duties, protecting and preserving life, controlling disorder, providing for the needs of our citizens, calming and soothing their fears.*
- 6. Preparedness which connects all necessary responders during a major emergency:** *Ensure preparedness for catastrophic events within WCCCA, within our communities, working with local and regional response partners.*
- 7. Lead the community of users in a robust technology vision:** *Ensure core public-safety grade interoperability enhanced by emerging innovations in voice and data communications.*

Administrative & Structural Support Goals

- 8. Support our employees in a culture of excellence:** *Maintain full staffing in an environment respectful of diversity and supportive of employee needs, innovation, and skill development.*
- 9. Build on WCCCA's position as an agency providing consolidated cost efficiencies:** *Meet or exceed targets for financial management, efficiency partnerships, and user confidence in WCCCA as a value-added element to the public safety response and service efforts of our members.*

Relevant Financial Policies

The Agency has adopted a comprehensive set of financial policies. During the current year, two of these policies were particularly relevant. The Agency has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). In an effort to control user fee increases, the Agency's estimated revenues for the General Fund were less than appropriations (\$14,385,344 v. \$16,860,991). In such cases, the policy allows for the appropriation of fund balance to close the gap.

Major Initiatives

Technology continues to drive many of our initiatives this year. The implementation of a new Computer Aided Dispatch System (CAD), in March of 2018, has been the first of our three major capital needs to be completed. This new CAD system called Inform and produced by Tritech Software Systems (now having been purchased twice, first by Superion and more recently by Central Square), is shared regionally through the Metro Area Joint CAD System (MAJCS) agreement between the 9-1-1 Centers of Washington, Clackamas and Columbia Counties and provides economic efficiencies as well as operational and redundancy advantages among the regional partner 9-1-1 Centers and their user agencies.

In May 2016, the citizens of Washington County voted to approve general obligation bond funds in the amount of \$77,000,000 for the purposes of replacing and upgrading WCCCA's emergency communications systems, including seismic upgrades, where needed. In addition, the bond funds the design and the construction of a new 9-1-1 Dispatch Facility. An agreement between WCCCA and Washington County is in place that guides the project and ensures accountability for expenditures. The Emergency Communication System Upgrade project is in full swing at present. The communications site design work has been completed. There are two remaining Land Use processes to be completed to wrap up the site permits and contracting phase. The overall existing communications site upgrades progress stands at 55% and new communications site construction stands at 46%. Completion of new and existing sites are expected in the June - July 2020 timeframe with transition to the new communications systems by August 2020. Work has been ongoing over the past year with preparing new Subscriber Radios for full function in 2020. Planning for Dispatch Center personnel training and equipment upgrades are underway and scheduled for the May - June 2020 timeframe.

The design plan for the new WCCCA 9-1-1 Dispatch Facility has been completed and a successful bidder has been identified through Washington County's Request for Proposals (RFPs). The facility is scheduled for completion Spring of 2021. It will be necessary to fully fit up and make ready the new 9-1-1 Dispatch Facility as well as operate it in parallel for a period of time to insure emergency and non-emergency calls and police, fire, and medical dispatch services are uninterrupted during the transition between the old and new buildings.

One of the key roles in the Agency is that of the Chief Financial Officer (CFO), who not only oversees our financial health and accountability but also acts in the capacity of a business manager for the organization as a whole, involved in all departments and working in concert with the Director to guide the business of WCCCA. WCCCA is transitioning from one CFO who left in early August 2019, to a new CFO who was hired in November of 2019. We gained several advantages in the skills brought to WCCCA by the now former CFO, including an updated process in management of contracts, documented procedures, additional redundancy in knowledge of programs and processes and new insights into WCCCA shared with our Boards. Together with our new CFO, we will continue to look for innovations in systems, processes and practices that provide assurance of good stewardship of public funds and the best economy to our members.

Other Information

Independent Audit

State of Oregon Revised Statutes, ORS 297.405 to 297.555, require an annual audit of the fiscal affairs of the Agency by independent public accountants selected by the Board of Commissioners. The Agency has complied with this requirement and the auditor's opinion has been included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington County Consolidated Communications Agency for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-first year that the Agency has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This has been another exceptional year of commitment and hard work by WCCCA staff as we push on through the production phase of realizing our capital goals for a new emergency communications system

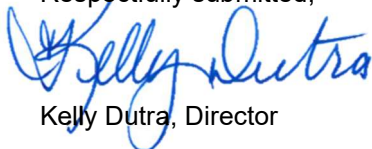
and addressing facility needs. As we see these major initiatives come closer to fruition, we are reminded of the generous support of the citizens of Washington County through their approval of the general obligation bond in May 2016. Because of their faith and trust in us, we are able to work forward toward providing continued communications and excellent service to our public and to our member agencies. We are indeed fortunate.

Washington County has provided WCCCA with the financial opportunity to address our capital needs through their work with us on the bond, and they continue beside us, shoulder to shoulder, not only through the administration of the bond, but also in their presence, guidance, support and staff, to ensure that WCCCA achieves success in each of these capital projects, critical to our members and our public. We extend our sincere appreciation to Washington County for their partnership with us.

WCCCA's membership is quite unique in how its agencies and stakeholders come together with each other to strategize in the many business and operational functions shared through this Agency. The operational and communication needs of our public safety agencies are critical to their care of the public and WCCCA is able to provide the best service possible with their input and planning alongside us. It goes without saying that their financial support is of utmost importance to the continued operation of WCCCA, given that they fund more than 70% of our operating budget. We recognize their contributions to the Agency's success in its mission and we are grateful for them.

It is a privilege and my honor to work with the remarkable WCCCA team. It is their commitment to the care and success of our Agency, our members, partners and our citizens that makes WCCCA such a special place to work and provides a 9-1-1 Center that truly does strive each day for "Excellence in Emergency Communications." WCCCA is a high reliability organization because of our people. We grow and change successfully because of our people. We save lives and protect the well-being of all we serve because of this capable and compassionate team. We hold ourselves accountable, financially, operationally and ethically. Each individual on the WCCCA team is to be commended in his/her contributions toward providing critical public safety services to the citizens of Washington County. I thank each of them for bringing their skill, compassion and spirit to WCCCA each day.

Respectfully submitted,



Kelly Dutra, Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Washington County
Consolidated Communications Agency
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

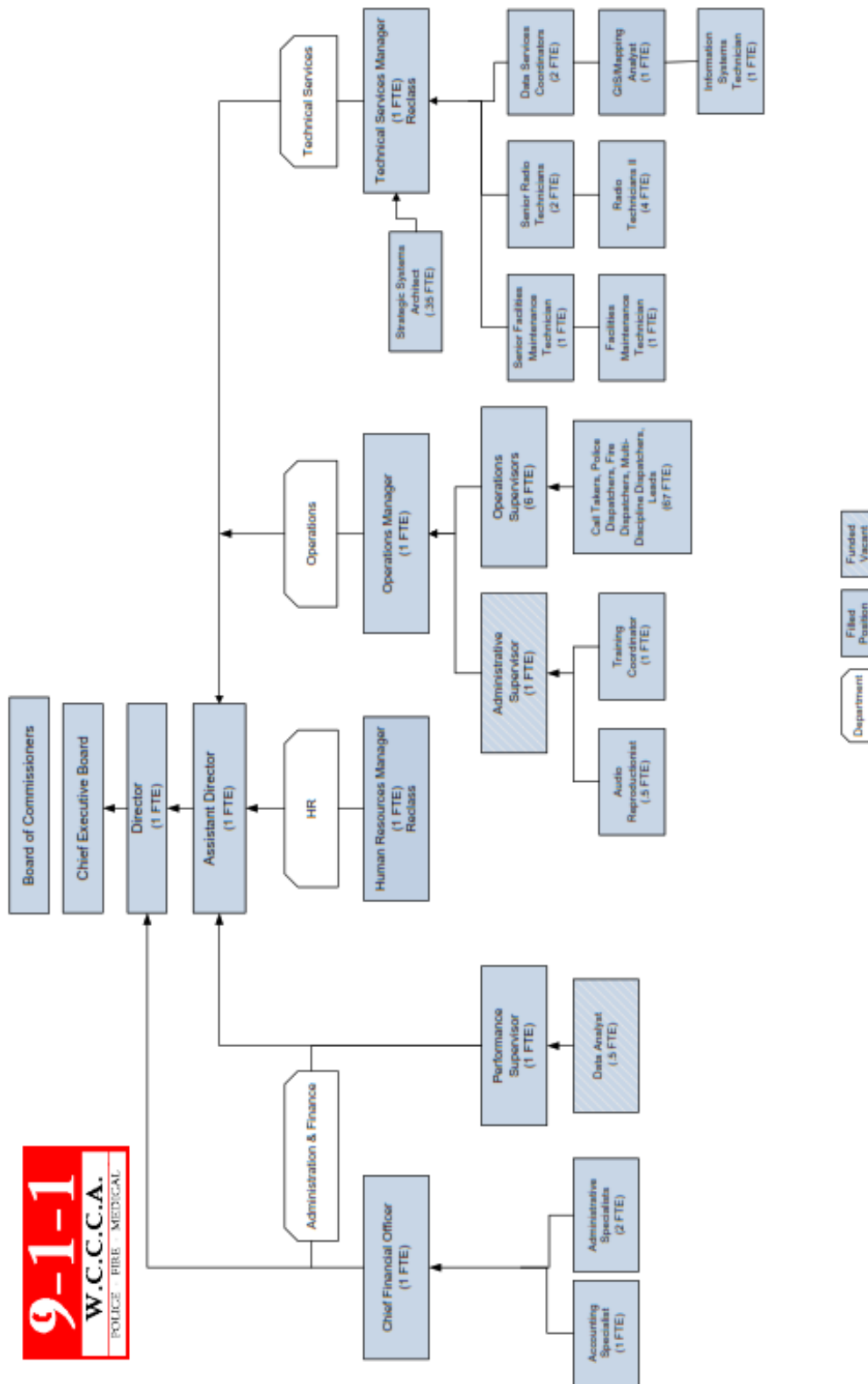
June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Washington County Consolidated Communications Agency

Organizational Chart June 30, 2019



Washington County Consolidated Communications Agency

Board of Commissioners

June 30, 2019

BOARD OF COMMISSIONERS

Participating Agency

Board Representative

Voting Member Representatives

City of Beaverton	Mayor Dennis Doyle, Board Chair
City of Cornelius	Fire Chief Michael Kinkade
Washington County	Don Bohn, Assistant County Administrator
Tualatin Valley Fire and Rescue	Director Bob Wyffels
City of Hillsboro	Police Chief Lee Dobrowolski
City of Tualatin	Councilor Joelle Davis
City of Tigard	Chief Kathy McAlpine
City of Sherwood	Commander Ty Hanlon
City of Forest Grove	Councilor Tom Johnston
Small City Voting Member	Councilor Mark Gregg, City of Banks
Rural Fire Districts Voting Member	Chief Rodney Linz, Banks Fire Protection District #13

Small City Non-Voting Member Representatives

City of Gaston	Mayor Jerry Spaulding
City of King City	Police Chief Ernie Happala
City of North Plains	Councilor Robert Kindel, Jr.
City of Durham	Councilor Chuck Van Meter

Rural Fire Districts Non-Voting Member Representatives

Banks Fire Protection District #13	Chief Rodney Linz,
Cornelius Rural Fire District	Vacant
Gaston Rural Fire District	Vacant

CHIEF EXECUTIVE OFFICERS BOARD

Participating Agency

Board Representative

City of Beaverton	Mayor Dennis Doyle, Board Chair
Washington County	Don Bohn, Assistant County Administrator
Tualatin Valley Fire and Rescue	Fire Chief Mike Duyck
City of Tigard	Marty Wine, City Manager
City of Forest Grove	Fire Chief Michael Kinkade

Washington County Consolidated Communications Agency

Budget Committee
June 30, 2019

BOARD OF COMMISSIONERS

Participating Agency

City of Beaverton
City of Cornelius
Washington County
Tualatin Valley Fire and Rescue
City of Hillsboro
City of Tualatin
City of Tigard
City of Sherwood
City of Forest Grove
Small City Voting Member
Rural Fire Districts Voting Member
City of Gaston
City of King City
City of North Plains
City of Durham
Banks Fire Protection District #13
Cornelius Rural Fire District
Gaston Rural Fire District

Board Representative

Mayor Dennis Doyle, Board Chair
Fire Chief Michael Kinkade
Don Bohn, Assistant County Administrator
Director Bob Wyffels
Police Chief Lee Dobrowolski
Councilor Joelle Davis
Chief Kathy McAlpine
Commander Ty Hanlon
Councilor Tom Johnston
Councilor Mark Gregg, City of Banks
Chief Rodney Linz, Banks Fire Protection District #13
Mayor Jerry Spaulding
Police Chief Ernie Happala
Councilor Robert Kindel, Jr.
Councilor Chuck Van Meter
Chief Rodney Linz,
Vacant
Vacant

CITIZEN REPRESENTATIVES

Appointing Agency

City of Sherwood
City of Forest Grove
Tualatin Valley Fire and Rescue
City of Beaverton
City of North Plains
Banks Fire District #13
City of Cornelius

Representative

Keith Mays
Cleo Howell
Don Haynes
Abigail Elder
Michele McCall Wallace
Tonya Witham
Ralph Brown

Term

1/2016 - 12/2019
1/2016 - 12/2019
2/2017 - 12/2019
1/2019 - 12/2021
1/2019 - 12/2021
1/2019 - 12/2021
1/2019 - 12/2021

Financial Section

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INDEPENDENT AUDITOR'S REPORT



Board of Commissioners
Washington County Consolidated Communications Agency
Beaverton, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Washington County Consolidated Communications Agency (the Agency), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Commissioners
Washington County Consolidated Communications Agency

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Required Supplementary Information, such as Management's Discussion and Analysis, Schedule of the Agency's Proportionate Share of the Net Pension (Asset)/Liability, Schedule of the Agency's Pension Plan Contributions, Schedule of the Changes in the Agency's Total OPEB Liability and Related Ratios, and Notes to the Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Other Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Commissioners
Washington County Consolidated Communications Agency

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 20, 2019 on our consideration of the Agency's compliance with certain provisions of laws and regulations, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By 
Brad Anderson, Partner

Lake Oswego, Oregon
December 20, 2019

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Management's Discussion and Analysis

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Washington County Consolidated Communications Agency

Management's Discussion and Analysis Year Ended June 30, 2019

As management of Washington County Consolidated Communications Agency (WCCCA or the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2019. Please read it in conjunction with the accompanying Basic Financial statements and the Notes to the Basic Financial Statements.

Financial Highlights

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$37,917,761.
- The Agency's total net position increased by \$14,377,082 due primarily to the bond funded Emergency Communications System project.
- At the close of the fiscal year, the Agency reported a combined fund balance of \$6,993,931, an increase of \$1,655,861 in comparison with the prior year. Approximately 84% (\$5,858,200) is available for spending at the Agency's discretion (unassigned fund balance).
- At the end of the fiscal year, the General Fund unassigned fund balance was \$5,858,200, or approximately 45% of total General Fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) the Notes to the Basic Financial Statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected 9-1-1 telephone excise taxes and earned but unused vacation leave).

In the government-wide financial statements, the Agency's activities are shown in one category: *Governmental Activities*. The governmental activities of the Agency include emergency communications and dispatch operations and are primarily supported through charges for services to other governments and 9-1-1 telephone excise taxes. The Agency has no business-type activities.

The government-wide financial statements can be found on pages 21 and 22 of this report.

Washington County Consolidated Communications Agency

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2019

Overview of the Financial Statements (Continued)

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds. The Agency has no proprietary funds or fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, other financing sources (uses), and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, other financing sources (uses), and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds.

The Agency adopts annual appropriated budgets for both funds. Budgetary information has been provided for each fund of the Agency to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 23 and 25 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 28 - 47 of this report.

Required Supplementary Information. The required supplementary information provides additional information of the Agency's net pension (asset)/liability, contributions to Oregon Public Employees Retirement System (PERS) and changes in total Postemployment Benefits Other Than Pensions (OPEB) liability and can be found beginning on page 48.

Other Supplementary Information. The other supplementary information provides additional information of the Agency's Capital Projects Fund budget to actual schedule on page 52.

Other Information. The Statistical Section of this report offers information regarding the Agency's economic condition and can be found beginning on page 53.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial assets. In the case of the Agency, assets and deferred outflows exceeded liabilities and deferred inflows by \$37,917,761 as of the end of the most recent fiscal year.

Washington County Consolidated Communications Agency

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2019

Government-wide Financial Analysis (Continued)

	Governmental Activities		Increase (Decrease) from 2018
	June 30,		
	2019	2018	
Assets			
Current and other assets	\$ 11,542,509	\$ 10,337,467	\$ 1,205,042
Capital assets	39,949,800	26,423,619	13,526,181
Total assets	51,492,309	36,761,086	14,731,223
Deferred outflows of resources	4,527,886	3,954,082	573,804
Liabilities	16,663,080	16,303,923	359,157
Deferred inflows of resources	1,439,354	870,566	568,788
Net position			
Investment in capital assets	39,949,800	26,423,619	13,526,181
Restricted	928,539	770,890	157,649
Unrestricted	(2,960,578)	(3,653,830)	693,252
Total net position	<u>\$ 37,917,761</u>	<u>\$ 23,540,679</u>	<u>\$ 14,377,082</u>

The largest portion of the Agency's net position reflects its investment in capital assets (e.g. communications towers and equipment, leasehold improvements, and furniture, fixtures and computer equipment). The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Investment in capital assets is to be reported net of related debt. The Agency, however, has no debt.

Current and other assets consist mainly of cash and investments, and 9-1-1 taxes and accounts receivable, which are used to meet the Agency's ongoing obligations to its participating governments.

Deferred outflows of resources consist of amounts recorded for pension and OPEB under Governmental Accounting Standards Board (GASB) Statement No. 68 and 75, respectively.

Liabilities of the Agency consist of accounts payable, accrued salaries and benefits payable, transition liability, net pension liability, total other postemployment benefits liability and unearned revenue. The Agency's liability for unearned revenue accounts for 18% of total liabilities and is the amount of the Agency's first quarter billing to participating governments for the ensuing fiscal year (\$2,957,693). The net pension liability is 68% of the total liabilities in the amount of \$11,391,744.

Deferred inflows of resources consist of amounts recorded for pension and OPEB under GASB Statement No. 68 and 75, respectively.

Washington County Consolidated Communications Agency

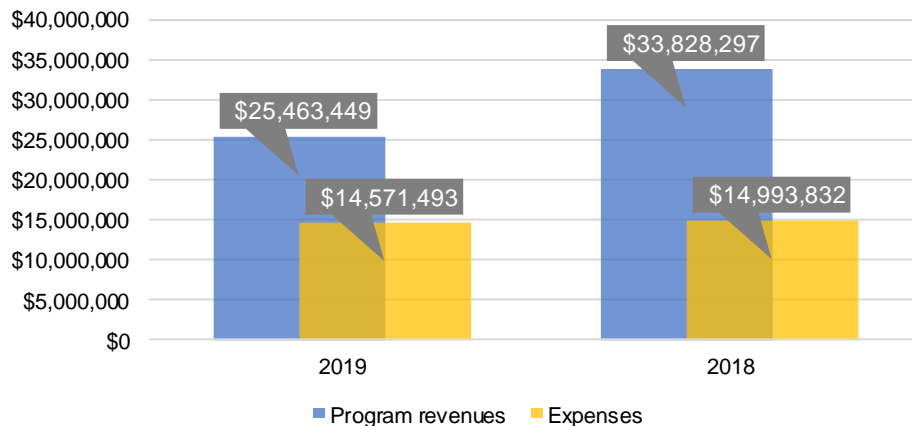
Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2019

Government-wide Financial Analysis (Continued)

Governmental Activities. Governmental program activities, which represent all the Agency's activities, increased net position by \$14,377,082. Key elements of the increase in net position for the Agency are as follows:

	<u>Governmental Activities</u>		<u>Increase (Decrease) from 2018</u>
	<u>For the Year Ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	
Revenues			
Program revenues			
Charges for services	\$ 11,239,496	\$ 11,015,612	\$ 223,884
Capital grants and contributions	14,223,953	22,812,685	(8,588,732)
General revenues			
9-1-1 taxes	3,116,690	3,025,198	91,492
Earnings on investments	165,151	92,571	72,580
Miscellaneous	203,285	334,238	(130,953)
Total revenues	<u>28,948,575</u>	<u>37,280,304</u>	<u>(8,331,729)</u>
Expenses			
Public safety	<u>14,571,493</u>	<u>14,993,832</u>	<u>(422,339)</u>
Increase (decrease) in net position	<u>14,377,082</u>	<u>22,286,472</u>	<u>(7,909,390)</u>
Net position, beginning	<u>23,540,679</u>	<u>1,254,207</u>	<u>22,286,472</u>
Net position, ending	<u>\$ 37,917,761</u>	<u>\$ 23,540,679</u>	<u>\$ 14,377,082</u>

**Governmental Activities
Program Revenues and Expenses**
For the Years Ended June 30, 2019 & 2018

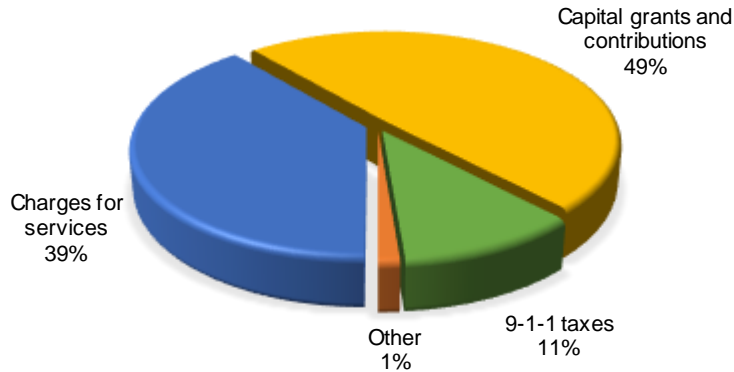


Washington County Consolidated Communications Agency

Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2019

Government-wide Financial Analysis (Continued)

**Governmental Activities
Revenue by Source**
For the Years Ended June 30, 2019



Financial Analysis of the Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Agency's net resources available for spending at the end of the fiscal year.

At June 30, 2019, the Agency's governmental funds reported ending fund balance by category of:

Fund balances:	
Non-spendable	\$ 207,192
Restricted	928,539
Unassigned	<u>5,858,200</u>
Total fund balance	<u><u>\$ 6,993,931</u></u>

At June 30, 2019, the Agency's governmental funds reported combined ending fund balances of \$6,993,931, an increase of \$1,655,861 in comparison with the prior year, primarily due to savings from vacant positions.

General Fund. The General Fund is the operating fund of the Agency. At the end of the current fiscal year, 97% of the General Fund balance was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total, unassigned fund balance represents 45% of total General Fund expenditures.

Washington County Consolidated Communications Agency

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2019

Financial Analysis of the Agency's Funds (Continued)

During the current fiscal year, the fund balance of the Agency's General Fund increased by \$1,498,212. Included in the increase in the fund balance is unrealized personnel expenditures and capital purchases postponed. The balance is also net of the General Fund's transfer of \$150,000 to the Capital Projects Fund.

Capital Projects Fund. The fund balance increased by \$157,649 primarily due to timing differences between intergovernmental revenues and capital outlay expenditures for the Emergency Communication System Project.

General Fund Budgetary Highlights

Actual results of operations of the General Fund varied in comparison to budget for reasons as follows:

- Revenues exceeded budget by \$298,853 primarily due to tax revenue and investment earnings coming in above budget by \$212,690 and \$100,726, respectively;
- Personnel services actual expenditures were \$996,372 less than budget because the Agency adopted appropriations for all positions in full but experienced several vacancies;
- Materials and services actual expenditures were \$585,476 less than budget due primarily to reduced expense in contract services and less actualized maintenance costs to the communication system due to Washington County bond covered upgrades;
- Capital outlay appropriations were under spent by \$509,695 due to delayed one-time capital purchases and shared infrastructure costs for the new CAD system.

Capital Assets

The Agency's investment in capital assets includes leasehold improvements, vehicles, furniture, fixtures, equipment, and work in progress. As of June 30, 2019, the Agency had invested \$39,949,800 in capital assets, net of accumulated depreciation, as shown in the following table:

Capital assets, net of accumulated depreciation	Governmental Activities		Increase (Decrease) from 2018
	June 30,		
	2019	2018	
Leasehold improvements	\$ 912,855	\$ 1,106,383	\$ (193,528)
Vehicles	64,432	49,705	14,727
Furniture, fixtures, and equipment	1,374,478	1,723,109	(348,631)
Work in progress	37,598,035	23,544,422	14,053,613
Total capital assets, net of accumulated depreciation	<u>\$ 39,949,800</u>	<u>\$ 26,423,619</u>	<u>\$ 13,526,181</u>

During the year, the Agency's investment in capital assets increased by \$13,526,181 mainly due to additions to capital project assets in work in progress. These capital projects consist primarily of the new CAD system and Emergency Communication System.

Additional information on the Agency's capital assets can be found in Footnote III. B on page 34 of this report.

Washington County Consolidated Communications Agency

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2019

Economic Factors; Next Year's Budget and Participating Governments Rates

As always, the economic environment of the nation, the State of Oregon, and the local economy influence and inform the Agency's financial health. In the past year, the member fees made up 35% of the Agency's revenues for the fiscal year ending June 30, 2019. The Agency also recognize the inherent challenge of supporting WCCCA's budget while each member faces their own increased costs for funding a primary agency budget.

Washington County's assessed (property) value increased 4.2% over the prior fiscal year with total property taxes levied in the County increasing by 5.1%.

9-1-1 revenues increased 3% over the prior fiscal year. This increase may be attributed to the tax revenue on pre-paid wireless voice devices/cell phones which have not historically paid 9-1-1 taxes. Beginning January 1, 2015, under HB 4055, 9-1-1 taxes are being collected on pre-paid devices. Amounts to be collected from these devices are still uncertain. As the only other major revenue source to the Agency, we anticipate the recognized increased revenue will help offset the annual increase of operational costs.

Due largely to communication and planning efforts amongst the members, the Agency continues to experience stable funding from its partners. Commitment to quality dispatching services to the partners, and commitment to economy, efficiency and cost effectiveness by the Agency have been demonstrated.

An annual financial planning process is conducted before the Board at their direction. While the plan requires consideration of the financial stresses of the partners, it also addresses the upward pressures on program expenses of the Agency. For partners and the Agency alike, the Oregon Public Employees Retirement System employer rates have continued to increase over time. The Agency health plan was changed, and the annual cost did not increase.

The financial plan envisions utilizing fund balance to level the rate of increases to the partners, targeting ending fund balance at 12 percent of operating expenditures, per Board policy. In the coming year, large capital expenditures have been included in the Washington County bond to continue the emergency communication system upgrade. This will relieve pressure for capital planning.

For the fiscal year ending June 30, 2020, the budget implements a 4.55 percent increase in member/partner rates. The financial planning process has become dynamic, with the tendency to spend down the beginning fund balance and look to capital replacement reserves. Staff will prepare the life cycle replacement schedule for Board discussion and direction in future budget considerations.

Requests for Information

This financial report is designed to provide a general overview of Washington County Consolidated Communications Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Administration, Washington County Consolidated Communications Agency at 17911 NW Evergreen Place, Beaverton, Oregon, 97006.

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Basic Financial Statements

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Washington County Consolidated Communications Agency

Statement of Net Position June 30, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 6,312,857
Receivables:	
9-1-1 taxes receivable	1,543,478
Accounts receivable	3,392,904
Prepays	207,192
Capital assets not being depreciated:	
Work in progress	37,598,035
Capital assets, net of accumulated depreciation:	
Leasehold improvements	912,855
Vehicles	64,432
Furniture, fixtures, and equipment	1,374,478
Other assets	86,078
Total assets	51,492,309
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pension	4,492,766
Deferred amounts related to OPEB	35,120
Total deferred outflows of resources	4,527,886
LIABILITIES	
Accounts payable	189,447
Accrued salaries and benefits payable	1,258,999
Unearned revenue	2,957,693
Transition liability	384,405
Net pension liability	11,391,744
Total OPEB liability	480,792
Total liabilities	16,663,080
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pension	1,356,604
Deferred amounts related to OPEB	82,750
Total deferred inflows of resources	1,439,354
NET POSITION	
Investment in capital assets	39,949,800
Restricted for capital acquisitions	928,539
Unrestricted	(2,960,578)
Total net position	\$ 37,917,761

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

Washington County Consolidated Communications Agency

Statement of Activities For the Year Ended June 30, 2019

	Governmental Activities
EXPENSES	
Public safety - dispatch service	\$ 14,571,493
PROGRAM REVENUES	
Charges for services	11,239,496
Capital grants and contributions	14,223,953
Total program revenues	25,463,449
Net program revenues	10,891,956
GENERAL REVENUES	
9-1-1 taxes	3,116,690
Investment earnings	165,151
Miscellaneous	203,285
Total general revenues	3,485,126
Change in net position	14,377,082
NET POSITION, June 30, 2018	23,540,679
NET POSITION, June 30, 2019	\$ 37,917,761

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

Washington County Consolidated Communications Agency

Governmental Funds Balance Sheet June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 5,412,420	\$ 900,437	\$ 6,312,857
Receivables:			
9-1-1 taxes receivable	1,543,478	-	1,543,478
Accounts receivable	3,248,701	144,203	3,392,904
Prepays	207,192	-	207,192
Total assets	<u>\$ 10,411,791</u>	<u>\$ 1,044,640</u>	<u>\$ 11,456,431</u>
LIABILITIES			
Accounts payable	\$ 73,346	\$ 116,101	\$ 189,447
Accrued salaries and benefits payable	542,360	-	542,360
Unearned revenue	2,957,693	-	2,957,693
Total liabilities	<u>3,573,399</u>	<u>116,101</u>	<u>3,689,500</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	773,000	-	773,000
FUND BALANCES			
Non-spendable	207,192	-	207,192
Restricted for capital acquisitions	-	928,539	928,539
Unassigned	5,858,200	-	5,858,200
Total fund balances	<u>6,065,392</u>	<u>928,539</u>	<u>6,993,931</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,411,791</u>	<u>\$ 1,044,640</u>	<u>\$ 11,456,431</u>

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

Washington County Consolidated Communications Agency

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2019

Total fund balances	\$ 6,993,931
Capital assets are not financial resources and, therefore, are not reported in the governmental funds.	39,949,800
Other assets are not reported in the governmental funds.	86,078
A portion of the Agency's 9-1-1 taxes are a receivable at year end but are not available soon enough to pay for current period expenditures and, therefore, are not reported as revenue in the governmental funds.	773,000
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.	(716,639)
The transition liability amounts not payable in the current year are not recorded as governmental fund liabilities.	(384,405)
The net pension liability and deferred amounts related to pension do not provide (use) current resources and, therefore, are not reported in the governmental funds.	(8,255,582)
The total OPEB liability and deferred amounts related to pension do not provide (use) current resources and, therefore, are not reported in the governmental funds.	<u>(528,422)</u>
Total net position	<u><u>\$ 37,917,761</u></u>

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

Washington County Consolidated Communications Agency

Governmental Funds
Statement of Revenues, Expenditures,
Other Financing Sources (Uses), and Changes in Fund Balances
For Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 3,092,690	\$ -	\$ 3,092,690
Investment earnings	148,726	16,425	165,151
Charges for services	11,239,496	-	11,239,496
Intergovernmental	-	14,223,953	14,223,953
Miscellaneous	203,285	-	203,285
Total revenues	<u>14,684,197</u>	<u>14,240,378</u>	<u>28,924,575</u>
EXPENDITURES			
Personnel services	11,431,394	-	11,431,394
Materials and services	1,432,286	275,554	1,707,840
Capital outlay	172,305	13,957,175	14,129,480
Total expenditures	<u>13,035,985</u>	<u>14,232,729</u>	<u>27,268,714</u>
Excess of revenues over expenditures	<u>1,648,212</u>	<u>7,649</u>	<u>1,655,861</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	150,000	150,000
Transfers out	(150,000)	-	(150,000)
Total other financing sources (uses)	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
Changes in fund balances	<u>1,498,212</u>	<u>157,649</u>	<u>1,655,861</u>
Fund balances, June 30, 2018	<u>4,567,180</u>	<u>770,890</u>	<u>5,338,070</u>
Fund balances, June 30, 2019	<u>\$ 6,065,392</u>	<u>\$ 928,539</u>	<u>\$ 6,993,931</u>

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

Washington County Consolidated Communications Agency

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For Year Ended June 30, 2019

Net change in fund balances	\$ 1,655,861
Change in inventory is not recognized as expense in governmental funds.	(1,800)
Governmental funds report capital additions as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which outlays for capital acquisitions exceeded capital asset disposals and depreciation expense in the current period.	13,526,181
Miscellaneous expense adjustments are reported in the Statement of Activities, but do not provide current financial resources and are not reported in the governmental funds.	39,577
9-1-1 taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, these are recognized as revenue when assessed.	24,000
Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities, compensated absences are recognized as an expense when incurred.	(95,315)
Transition liability expenditures are recognized in the governmental funds when they are paid. In the Statement of Activities, expense is recognized as the transition liability is amortized.	22,780
Pension expenditures are recognized in the governmental funds when they are paid. In the Statement of Activities, OPEB is recognized as an expense when incurred.	(796,191)
Postemployment Benefits Other Than Pensions (OPEB) expenditures are recognized in the governmental funds when they are paid. In the Statement of Activities, OPEB is recognized as an expense when incurred.	<u>1,989</u>
Change in net position	<u><u>\$ 14,377,082</u></u>

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

Washington County Consolidated Communications Agency

General Fund

Statement of Revenues, Expenditures, Other Financing Uses,
and Changes in Fund Balances – Budget and Actual
For Year Ended June 30, 2019

	Original and Final Budget Amounts	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 2,880,000	\$ 3,092,690	\$ 212,690
Investment earnings	48,000	148,726	100,726
Charges for services	11,258,444	11,239,496	(18,948)
Miscellaneous	198,900	203,285	4,385
Total revenues	<u>14,385,344</u>	<u>14,684,197</u>	<u>298,853</u>
EXPENDITURES			
Personnel services	12,427,766	11,431,394	996,372
Materials and services	2,017,762	1,432,286	585,476
Capital outlay	682,000	172,305	509,695
Operating contingency	1,733,463	-	1,733,463
Total expenditures	<u>16,860,991</u>	<u>13,035,985</u>	<u>3,825,006</u>
Excess (deficiency) of revenues over expenditures	<u>(2,475,647)</u>	<u>1,648,212</u>	<u>4,123,859</u>
OTHER FINANCING USES			
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Changes in fund balances	<u>(2,625,647)</u>	<u>1,498,212</u>	<u>4,123,859</u>
Fund balances, June 30, 2018	<u>3,750,647</u>	<u>4,567,180</u>	<u>816,533</u>
Fund balances, June 30, 2019	<u>\$ 1,125,000</u>	<u>\$ 6,065,392</u>	<u>\$ 4,940,392</u>

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

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements For Year Ended June 30, 2019

I. Summary of significant accounting policies

A. Reporting Entity

Washington County Consolidated Communications Agency (Agency) was formed in 1985, under the authority of Oregon Revised Statutes (ORS) Chapter 190 by the execution of an intergovernmental agreement between Washington County, the cities of Beaverton, Hillsboro, Cornelius, and North Plains, and Tualatin Valley Fire and Rescue. The Agency subsequently entered into intergovernmental agreements with the cities of Durham, King City, Sherwood, Tigard, Gaston, Tualatin, Forest Grove, and Banks; and the Fire Districts of Cornelius Rural Fire, Gaston Rural Fire, and Banks Fire Protection District #13.

The Agency is a municipal corporation that is recognized by the participating governments as the "9-1-1 Jurisdiction" defined in ORS 403.100 to 403.250 for purposes of operating as the public safety answering point of the emergency 9-1-1 telephone system. The agreement obligates the participating governments to contribute emergency 9-1-1 telephone system excise tax revenues received by the State of Oregon to the Agency. The Agency provides consolidated public safety communications for the participating governments and for other governments under contract.

The agreement also obligates the participating governments to fund any capital and operating expenses/expenditures in excess of emergency telephone system excise tax proceeds, contract revenues, and other revenues. The Agency may be terminated by mutual agreement of the parties. Any participant may terminate its participation upon notification to all other participants at least one year prior to the fiscal year end. A termination is effective as of the end of the fiscal year. Upon dissolution or termination of the Agency, the assets the Agency has purchased, or to which it has taken legal title, are to be distributed or sold, and the proceeds distributed to the participating governments in proportion to their financial support averaged over the preceding three years. Any equipment on loan from participants is to be returned.

The Agency is the primary, special purpose government responsible for emergency communications within its boundaries. The Agency is not considered a component unit of any of the participating governments. All significant activities and funds of the Agency have been included in the basic financial statements. The Agency's financial statements represent those of a stand-alone government with no component units. The power and authority given to the Agency by the participating governments are vested in a Board of Commissioners made up of appointed officials from the participating governments. The Board has authority to select a Director who is responsible for conducting the affairs of the Agency, and works directly under the guidance of a Chief Executive Officers Board (CEO). The Agency has a two-tiered board, in which the CEO is a separate authority comprised of representatives who are elected by the participating governments and whose duties include guidance and approval of a number of Agency business elements, as well as review and recommendation of key issues to the Board of Commissioners.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Agency. All activities are governmental activities which are financed primarily through 9-1-1 taxes and charges for services to other governments. There are no internal activities and therefore no eliminations are necessary to present the government-wide financial statements.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

I. Summary of significant accounting policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities presents the degree to which direct expenses of the Agency's public safety program are offset by program revenues. Direct expenses are those that are clearly identifiable with the public safety function of the Agency. Program revenues include: (1) charges to other governments for emergency communications and services provided; (2) operating grants and contributions and (3) capital grants and contributions. 9-1-1 taxes, investment earnings and other items not properly included as program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 9-1-1 taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements have been met. The Agency's contract with its participating governments calls for quarterly user fees to be paid in advance of each quarter. The full amount of the first quarter user participation fees for the ensuing fiscal year has been recorded as unearned revenue.

The governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within two months of the end of the current fiscal period. Significant revenues that are measurable and available under the modified accrual basis of accounting are user participation fees, 9-1-1 tax revenues, intergovernmental revenue and interest, and therefore have been recognized in the current fiscal period. In the current fiscal year, the first quarter user participation fees for the ensuing fiscal year (as noted above) were recorded as unearned revenue in the governmental fund financial statements as the revenue is unearned at fiscal yearend.

Under the modified accrual basis of accounting, expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, the transition liability, and pension and OPEB contributions are recorded only when payment is due.

Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency reports the following major governmental funds:

- The General Fund is the Agency's primary operating fund. It accounts for all financial resources of the Agency, except those required to be accounted for in another fund, either legally or by Board direction.
- The Capital Projects Fund, a capital projects fund type, accounts for the restricted revenue of the shared local option levy tax funds accumulated for Agency equipment.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Investments

The Agency's cash and investments are considered to be cash on hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition. The Agency invests all available cash solely with the Oregon State Treasurer's Local Government Investment Pool. These investments are classified as a cash equivalent and are carried at cost, which approximates fair value.

2. Receivables

Receivables include member fees for 9-1-1 call taking, dispatch and maintenance services and emergency telephone system excise taxes (9-1-1). Management has determined that all receivables are fully collectible and therefore no allowance is deemed necessary.

3. Prepaids

In both government-wide and fund financial statements, certain payments are presented as a prepaid asset. These payments reflect costs applicable to future accounting periods which are recorded as prepaid expenses. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets are stated at cost. Donated assets are recorded at acquisition value at the date of donation. The Agency defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life of greater than one year. Replacements which improve or extend the lives of property are capitalized. Maintenance, repairs and equipment replacements of a routine nature are charged to expenses/expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	15 years
Vehicles	5 years
Furniture, fixtures, and equipment	5 - 10 years

5. Compensated Absences

Vacation. The Agency's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related taxes and benefits, where applicable.

Sick Leave. Accumulated sick leave lapses when employees leave the employment of the Agency and, upon separation from service, no monetary obligation exists.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

6. Transition Liability

The transition liability is an actuarially determined liability recorded in the statement of net position based on the Agency's entry into the OPERS State and Local Government Rate Pool. The transition liability is reduced each year by contributions to OPERS and increased for interest charged by OPERS.

7. Net Pension Liability

The Agency's net pension liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS). Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

8. Other Postemployment Benefits (OPEB) Liability

The Agency's OPEB obligation is recognized as a liability and the related deferred outflow and inflow of resources and expense are actuarially determined. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has items that qualify for reporting in this category related to the Agency's participation in OPERS and the Agency's Implicit Rate Subsidy Plan (OPEB).

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The major source of unavailable revenues is 9-1-1 taxes. In the Statement of Net Position, deferred inflows of resources relate to the Agency's participation in OPERS and the Agency's Implicit Rate Subsidy Plan (OPEB).

10. Restricted vs. Unrestricted Net Position

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

I. Summary of significant accounting policies (Continued)

E. Participation Fees

The Agency generally charges the participating governments of the intergovernmental agreement an amount sufficient to cover budgeted expenditures less anticipated revenues from other sources. The Board of Commissioners sets the participating governments' fees for the ensuing fiscal year during the budget process.

II. Stewardship, compliance, and accountability

A. Budgetary Information

The Agency budgets all funds on the modified accrual basis of accounting. As an organization formed by intergovernmental agreement pursuant to Oregon Revised Statutes (ORS) Chapter 190, the Agency does not levy property taxes and is exempt from State of Oregon Local Budget Law. The Agency, however, chooses to follow the local budget law process as outlined in ORS Chapter 294.

The Board of Commissioners adopts the original budget by resolution prior to the beginning of the Agency's fiscal year (July 1 through June 30), authorizing appropriation levels for each fund. Total personnel services, materials and services, capital outlay, and other expenditures for each fund are the levels of control established by the resolution. For instances of unexpected resources from grant funds or other governments, for which the revenues are dedicated to a specific purpose, an appropriation resolution of the Board is used to increase the budget. Unexpected additional resources may be added to the budget using a supplemental budget and appropriation resolution.

Budgets may be modified by resolution of the Board of Commissioners transferring appropriation between categories. Appropriations lapse at fiscal year-end.

III. Detailed notes on all activities and funds

A. Cash and Investments

The Agency maintains separate accountability by fund for cash and investment accounts. The types of investments in which the Agency may invest are restricted by State of Oregon statutes and a Board adopted investment policy.

Cash and investments at June 30, 2019, were comprised of the following:

Deposits with financial institutions	\$ 565,790
Oregon Local Government Investment Pool	<u>5,747,067</u>
Total cash and investments	<u><u>\$ 6,312,857</u></u>

1. Deposits with Financial Institutions

Deposits with financial institutions are in a public funds checking account that is insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The total carrying amount of deposits at June 30, 2019, was \$565,790. The total bank balance per the bank statement was \$652,935 of which \$402,935 was not insured by the FDIC as of June 30, 2019. The uninsured cash deposits are part of the Public Funds Collateralization Program. Oregon Revised Statutes (ORS) 295 governs the collateralization process for bank depositories and local governments.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

III. Detailed notes on all activities and funds (Continued)

A. Cash and Investments (Continued)

1. *Deposits with Financial Institutions (Continued)*

ORS 295 created a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100 percent protected. In general, bank depositories are required to pledge collateral valued at least 10 percent of their quarter-end public fund deposits if they are well capitalized or 110 percent of their quarter-end public fund deposits if they are adequately capitalized, undercapitalized or assigned to pledge that amount by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

2. *Interest Rate Risk*

To limit exposure, the Agency's investment policy designates maturity limitations dependent upon whether the funds being invested are considered short -term operating funds or long-term funds. All operating funds are to have maturities not to exceed 18 months.

The Agency did not have any investments other than with the Oregon State Treasurer's Local Government Investment Pool as of June 30, 2019, which has a weighted average maturity of less than 90 days as relates to the underlying investments.

3. *Credit Risk*

The Oregon State Treasurer's Local Government Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Secretary of State and is not required to be categorized by risk. The LGIP is not rated. Cost of pool shares approximates the Agency's fair value position in the LGIP. The Agency's investment in the LGIP made up 100% of the portfolio at June 30, 2019.

The Oregon State Treasury administers the LGIP. It 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 governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

Other permissible investments include general obligations of the United States Government and its agencies, obligations of the State of Oregon and local government securities that have a rating of A or better by Moody's Investor Service, Oregon and local commercial paper rated A-2 and P-2 or better, corporate commercial paper that are rated A-1 or P-1 or better, guaranteed banker's acceptances, certificates of deposits, and repurchase agreements. The Agency had none of these investments as of June 30, 2019.

4. *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. State statutes govern the Agency's investment policies. At June 30, 2019, the Agency did not have any investments exposed to custodial credit risk.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

III. Detailed notes on all activities and funds (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance, June 30, 2018	Increases	Decreases	Balance, June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Work in progress	\$ 23,544,422	\$ 14,074,425	\$ (20,812)	\$ 37,598,035
Capital assets, being depreciated:				
Leasehold improvements	2,808,739	-	-	2,808,739
Vehicles	238,466	31,953	-	270,419
Furniture, fixtures and equipment	13,519,322	44,579	-	13,563,901
Total capital assets, being depreciated	16,566,527	76,532	-	16,643,059
Less accumulated depreciation for:				
Leasehold improvements	(1,702,356)	(193,528)	-	(1,895,884)
Vehicles	(188,761)	(17,226)	-	(205,987)
Furniture, fixtures and equipment	(11,796,213)	(393,210)	-	(12,189,423)
Total accumulated depreciation	(13,687,330)	(603,964)	-	(14,291,294)
Total capital assets being depreciated, net	2,879,197	(527,432)	-	2,351,765
Total capital assets, net of depreciation	\$ 26,423,619	\$ 13,546,993	\$ (20,812)	\$ 39,949,800

Depreciation expense in the amount of \$603,964 was charged to the public safety function.

Capital assets do not include items provided by the participating governments that are currently being used by the Agency, but to which the Agency has not taken legal title under the terms of the intergovernmental agreement or other contract. The building which houses the Agency and the radio system's central electronic controller are the only two assets of this type.

On July 21, 2016, Washington County issued \$77 million of general obligation bonds to fund the replacement of the emergency communications system, including capital equipment and facilities. For the year ended June 30, 2019, related distributions received from the County were approximately \$14.0 million. In addition to distributions to the Agency, the bonds are funding the Agency's building replacement which falls under Washington County, who owns the building in which the Agency operates and is in the process of planning to construct a new facility for the Agency.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

III. Detailed notes on all activities and funds (Continued)

C. Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended June 30, 2019 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 150,000
Capital Projects Fund	150,000	-

Transfers are generally used to move unrestricted General Fund revenues to finance activities accounted for in the other fund in accordance with Board adopted budgetary authorizations. The Agency made transfers from the General Fund to the Capital Projects Fund to support cash flow.

D. Compensated Absences

Compensated absences activity for the year ended June 30, 2019, was as follows:

	<u>Balance, June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2019</u>
Governmental activities:				
Compensated absences	<u>\$ 621,324</u>	<u>\$ 1,100,118</u>	<u>\$(1,004,803)</u>	<u>\$ 716,639</u>

The balance is liquidated by the General Fund generally within one year and is reported on the Statement of Net Position.

IV. Other information

A. Risk Management

The Agency is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Agency, through its General Fund, purchases commercial insurance. Deductibles are generally at \$2,500 or less with the exception of natural disasters which have different deductibles. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

B. Deferred Compensation Plan

The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Agency employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan are held in trust by the plan administrator for the sole benefit of the participants. As such, these amounts are not reflected in the Agency's financial statements.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System

1. Pension Plan

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing, multiple-employer defined benefit plan that provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges and school districts. The Agency has joined this pool. The system provides retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Plan Description. Employees of the Agency are provided with pensions through OPERS. All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. OPERS produces an independently audited CAFR that can be obtained at <https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.

2. Description of Benefit Terms

Benefits provided under Chapter 238-Tier One/Tier Two.

- a. Pension Benefits.** The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

- b. Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by an OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in an OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-covered job at the time of death.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System (Continued)

2. Description of Benefit Terms (Continued)

Benefits provided under Chapter 238-Tier One/Tier Two. (Continued)

- c. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- d. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Benefits provided under Chapter 238A – OPSRP. OPSRP pension program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

- a. **General Service.** 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. Employees of the Agency are considered to be in the General Service category. A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- b. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- c. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- d. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System (Continued)

3. Actuarial Valuations

The basis for the Agency's proportion is actuarially determined by comparing the Agency's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost rate and Unfunded Actuarial Liability (UAL) Rate. The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal credit actuarial cost method.

For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Valuation date	December 31, 2016
Measurement date	June 30, 2018
Experience Study	2016, published July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Long-term expected rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System (Continued)

3. Actuarial Valuations (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study, which reviewed experience for the four-year period ending on December 31, 2016.

Discount Rate. The discount rate used to measure the total pension (asset)/liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Plan Changes. In June 2019, the Senate Bill (SB) 1049 was enacted by the State of Oregon. The bill made certain changes to PERS pension plans, including a onetime 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. The overall impact to the Agency's net pension liability and related balances is not known at this time. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The Agency cannot predict whether the petitioners will be successful in whole or in part nor what the impact of a successful challenge may be. Further, the Agency cannot predict whether SB 1049 will be subject to additional legal challenges that could affect some or all of its provisions.

Depletion Date Projection. GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. GASB Statement No. 68 does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System (Continued)

3. Actuarial Valuations (Continued)

Depletion Date Projection (Continued). Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation.

OIC Target and Actual Investment Allocation as of June 30, 2018*

Asset Class/Strategy	OIC Policy Range		OIC Target Allocation	Actual Allocation
	Low	High		
Cash	0.0%	3.0%	0.0%	5.2%
Debt Securities	15.0	25.0	20.0	18.9
Public Equity	32.5	42.5	37.5	36.7
Real Estate	9.5	15.5	12.5	10.1
Private Equity	13.5	21.5	17.5	19.7
Alternative Investments	0.0	12.5	12.5	7.3
Opportunity Portfolio ¹	0.0	3.0	0.0	2.1
Total			<u>100.0%</u>	<u>100.0%</u>

¹ Opportunity Portfolio is an investment strategy and it may be invested up to 3% of total plan net assets.

* The OIC Target Allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The Target Allocation amounts do not include Deferred Compensation Plan investments. The Actual Investment Allocation is based on the financial statement investment classifications, including Deferred Compensation Plan investments.

Long-Term Expected Rate of Return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. See PERS' audited financial statements at: http://www.oregon.gov/pers/docs/financial_reports/2017_cafr.pdf.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System (Continued)

3. Actuarial Valuations (Continued)

Long-Term Expected Rate of Return (Continued).

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00%	3.59%	3.49%	4.55%
Short-Term Bonds	8.00	3.42	3.38	2.70
Bank/Leveraged Loans	3.00	5.34	5.09	7.50
High Yield Bonds	1.00	6.90	6.45	10.00
Large/Mid Cap US Equities	15.75	7.45	6.30	16.25
Small Cap US Equities	1.31	8.49	6.69	20.55
Micro Cap US Equities	1.31	9.01	6.80	22.90
Developed Foreign Equities	13.13	8.21	6.71	18.70
Emerging Market Equities	4.13	10.53	7.45	27.35
Non-US Small Cap Equities	1.88	8.67	7.01	19.75
Private Equity	17.50	11.45	7.82	30.00
Real Estate (Property)	10.00	6.15	5.51	12.00
Real Estate (REITS)	2.50	8.26	6.37	21.00
Hedge Fund of Funds - Diversified	2.50	4.36	4.09	7.80
Hedge Fund - Event-driven	0.63	6.21	5.86	8.90
Timber	1.88	6.37	5.62	13.00
Farmland	1.88	6.90	6.15	13.00
Infrastructure	3.75	7.54	6.60	14.65
Commodities	1.88	5.43	3.84	18.95
Assumed Inflation - Mean			2.50%	1.85%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 7, 2017.

4. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plan.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The rates in effect for the fiscal year ended June 30, 2019 were: (1) Tier One/Tier Two – 21.25% and (2) OPSRP general service – 14.31%. The Agency's contributions for the year ended June 30, 2019 were \$1,215,215.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System (Continued)

5. Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the Agency reported a liability of \$11,391,744 for its proportionate share of the plan net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The Agency's proportionate share was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2019 and 2018, the Agency's proportion was 0.07519957 percent and 0.07828842 percent, respectively.

For the year ended June 30, 2019, the Agency recognized pension expense of \$1,982,513 for the defined benefit portion of the pension plan. At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 387,513	\$ -
Changes in assumptions	2,648,559	-
Net differences between projected and actual earnings on investments	-	505,858
Changes in proportionate share	-	788,736
Differences between employer contributions and employer's proportionate share of system contributions	241,479	62,010
	<u>3,277,551</u>	<u>1,356,604</u>
Contributions after measurement date	1,215,215	-
Total	<u>\$ 4,492,766</u>	<u>\$ 1,356,604</u>

Deferred outflows of resources related to pensions of \$1,215,215 resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense / (income) as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,205,857
2021	821,698
2022	(244,398)
2023	78,620
2024	59,170
Total	<u>\$ 1,920,947</u>

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

IV. Other information (Continued)

C. Participation in Public Employees' Retirement System (Continued)

6. Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the Agency's share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Agency's proportionate share of net pension liability	\$ 19,037,757	\$ 11,391,744	\$ 5,080,587

7. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. This report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the OPERS website at www.oregon.gov/pers.

8. OPSRP Individual Account Program (IAP)

Pension Benefits. Participants in OPERS defined benefit pension plans also participated in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of the five previous calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions. The Agency has chosen to pay the employees contributions to the plan. Six percent of covered payroll is paid for general service employees. For fiscal year June 30, 2019, the Agency paid \$432,156.

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

IV. Other information (Continued)

D. Other Postemployment Benefits (OPEB)

1. Plan Description

As required by ORS 243.303, the Agency provides eligible retirees under age 65 and their dependents the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the full amount of the premiums. The Implicit Rate Subsidy Plan has no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The single-employer plan is administered by City/County Insurance Services (CIS) and does not issue a separately available financial report.

As of the valuation date of July 1, 2018, the following employees were covered by the benefits terms:

Active employees	89
Inactive employees entitled to, but not yet receiving benefits	0
Inactive employees (or their beneficiaries) currently receiving benefits	<u>5</u>
	<u><u>94</u></u>

2. Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Agency's total OPEB liability of \$480,792 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2018.

For the fiscal year ended June 30, 2019, the Agency recognized OPEB expense from this plan of \$33,131. At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,459
Changes in assumptions	-	76,291
	<u>-</u>	<u>82,750</u>
Contributions after measurement date	35,120	-
Total	<u><u>\$ 35,120</u></u>	<u><u>\$ 82,750</u></u>

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

IV. Other information (Continued)

D. Other Postemployment Benefits (OPEB) (Continued)

2. Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Deferred outflows of resources related to OPEB of \$35,120 resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ (11,249)
2021	(11,249)
2022	(11,249)
2023	(11,249)
2024	(11,249)
Thereafter	<u>(26,505)</u>
Total	<u>\$ (82,750)</u>

3. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Discount rate	3.87 percent
Projected salary increases	3.50 percent
Withdrawal, retirement, and mortality rates	December 31, 2017 Oregon PERS valuation
Election and Lapse Rates	40% of eligible employees, 60% of male members and 35% of females members, will elect spouse coverage; 5% annual lapse rate

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued)
For Year Ended June 30, 2019

IV. Other information (Continued)

D. Other Postemployment Benefits (OPEB) (Continued)

4. Changes in the Total OPEB Liability

Balance as of June 30, 2018	\$ 520,009
Changes for the year:	
Service cost	25,257
Interest on total OPEB liability	19,123
Effect of economic/demographic gains or losses	(7,320)
Effect of assumptions changes or inputs	(53,890)
Benefit payments	<u>(22,387)</u>
Balance as of June 30, 2019	<u><u>\$ 480,792</u></u>

5. Sensitivity of the Total OPEB Liability

The following presents the Agency's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

<u>Discount Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 522,454	\$ 480,792	\$ 442,613

<u>Healthcare Cost Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 431,621	\$ 480,792	\$ 539,079

E. Operating Leases

The Agency leases real properties and easement access under cancelable and non-cancelable operating leases. The expense for both cancellable and non-cancellable operating leases for the year ended June 30, 2019 was approximately \$64,400. The future minimum lease payment for the non-cancelable leases is approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 18,337
2021	18,887
2022	19,454
2023	20,037
2024	20,638
Thereafter	<u>43,150</u>
Total	<u><u>\$ 140,503</u></u>

Washington County Consolidated Communications Agency

Notes to the Basic Financial Statements (Continued) For Year Ended June 30, 2019

IV. Other information (Continued)

F. Related Party Transactions

The Agency has a lease agreement with Washington County for the central dispatch facility. The lease requires payment of one dollar per year and renews automatically unless one of the parties takes action to terminate it.

The Agency is dependent on participating governments, which are all Oregon municipal corporations, for most of its revenues. The Agency also is involved in various transactions for goods and services provided to these participating governments. These transactions are summarized as follows:

	State 9-1-1 Excise Taxes	Charges for Services		
		Fees	Maintenance	Total
Participants:				
Washington County	\$ 1,330,168	\$ 2,673,888	\$ 2,964	\$ 2,676,852
City of Hillsboro	530,492	1,851,968	2,551	1,854,519
Tualatin Valley Fire and Rescue	-	2,257,116	1,575	2,258,691
City of Beaverton	501,121	1,382,500	1,043	1,383,543
City of Tigard	268,463	661,408	-	661,408
City of Forest Grove	123,678	490,144	70	490,214
City of Tualatin	140,844	370,828	-	370,828
City of Sherwood	101,245	217,654	-	217,654
City of Cornelius	62,189	196,940	-	196,940
City of King City	20,186	23,212	-	23,212
Banks Fire District No. 13	-	32,204	-	32,204
City of Gaston	3,472	25,324	-	25,324
City of North Plains	15,681	13,980	-	13,980
City of Durham	9,837	11,384	-	11,384
City of Banks	9,314	8,068	-	8,068
Subtotal related party transactions	3,116,690	10,216,618	8,203	10,224,821
Non-related parties:				
Clackamas County 800 Radio Group	-	746,600	4,298	750,898
Miscellaneous other contracts	-	259,183	4,594	263,777
Subtotal non-related party transactions	-	1,005,783	8,892	1,014,675
Total	\$ 3,116,690	\$ 11,222,401	\$ 17,095	\$ 11,239,496

G. Commitments

Zone Controller: The Agency entered into an intergovernmental agreement effective March 22, 2012, with Washington County, Oregon (the County) to provide funding to the County for the purchase and installation of a new zone controller. The County entered into, on behalf of the Agency and C800, a seven-year equipment lease purchase agreement with Motorola Solutions Credit Company LLC. The last annual payment to the County from the Agency is \$178,268 in the year ending June 30, 2020.

Required Supplementary Information

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Washington County Consolidated Communications Agency

Schedule of the Agency's Proportionate Share of the Net Pension (Asset)/Liability
Last Ten Fiscal Years

Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal Year¹ Ending June 30,	Agency's proportion of the net pension (asset)/ liability	Agency's proportionate share of the net pension (asset)/ liability	Agency's covered payroll	Agency's proportionate share of the net pension (asset)/ liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension (asset)/liability
2019	0.07519957%	\$ 11,391,744	\$ 7,503,657	151.82%	82.07%
2018	0.07828842	10,553,309	7,151,402	147.57	83.12
2017	0.08516355	12,785,026	6,941,076	184.19	80.53
2016	0.09080452	5,213,506	6,761,313	77.11	91.90
2015	0.09330689	(2,115,001)	6,342,592	-33.35	103.57
2014	0.09330689	4,761,587	6,284,821	75.76	N/A ²
2013	N/A ²	N/A ²	6,331,521	N/A ²	N/A ²
2012	N/A ²	N/A ²	6,269,826	N/A ²	N/A ²
2011	N/A ²	N/A ²	6,018,958	N/A ²	N/A ²
2010	N/A ²	N/A ²	5,655,211	N/A ²	N/A ²

¹ Measurement date is one year in arrears.

² Actuarial information for these earlier fiscal years is not available.

Washington County Consolidated Communications Agency

Schedule of the Agency's Pension Plan Contributions
Last Ten Fiscal Years

Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal Year Ending June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Agency's covered payroll	Contributions as a percentage of covered payroll
2019	\$ 1,215,215	\$ 1,215,215	\$ -	\$ 7,380,533	16.47%
2018	1,188,166	1,188,166	-	7,503,657	15.83
2017	949,904	949,904	-	7,151,402	13.28
2016	924,640	924,640	-	6,941,076	13.32
2015	820,785	820,785	-	6,761,313	12.14
2014	762,490	762,490	-	6,342,592	12.02
2013	N/A ¹	N/A ¹	N/A ¹	6,284,821	N/A ¹
2012	N/A ¹	N/A ¹	N/A ¹	6,331,521	N/A ¹
2011	N/A ¹	N/A ¹	N/A ¹	6,269,826	N/A ¹
2010	N/A ¹	N/A ¹	N/A ¹	6,018,958	N/A ¹

¹ Actuarial information for these earlier fiscal years is not available.

Washington County Consolidated Communications Agency
 Schedule of the Changes in the Agency's Total OPEB Liability and Related Ratios
 Last Ten Fiscal Years

Implicit Rate Subsidy Plan

Fiscal Year ¹ Ending June 30,	Beginning Total OPEB Liability	Service cost	Interest	Assumption changes	Economic/demographic (gains) or losses	Benefit payments	Ending Total OPEB Liability	Covered Payroll	Total OPEB Liability as a percentage of Covered Payroll
2019	\$ 520,009	\$ 25,257	\$ 19,123	\$ (53,890)	\$ (7,320)	\$ (22,387)	\$ 480,792	\$ 7,503,657	6.41%
2018	532,549	27,546	15,695	(36,837)	-	(18,944)	520,009	7,151,402	7.27
2017	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	532,549	6,941,076	7.67
2016	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	6,761,313	N/A ²
2015	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	6,342,592	N/A ²
2014	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	6,284,821	N/A ²
2013	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	6,331,521	N/A ²
2012	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	6,269,826	N/A ²
2011	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	6,018,958	N/A ²
2010	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	5,655,211	N/A ²

¹ Measurement date is one year in arrears.

² Actuarial information for these earlier fiscal years is not available.

Washington County Consolidated Communications Agency

Notes to the Required Supplementary Information For the Year Ended June 30, 2019

I. Oregon Public Employee Retirement Pension Plan (OPERS)

Changes in Assumptions

A summary of key changes implemented with the December 31, 2016 actuarial valuation which was used in the pension calculations and amounts reported for fiscal year ended June 30, 2019, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2016 actuarial valuation can be found at: www.oregon.gov/pers.

Changes in Plan Provisions Subsequent to Measurement Date

On July 28, 2017, the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations.

In June 2019, the Senate Bill (SB) 1049 was enacted by the State of Oregon. The bill made certain changes to PERS pension plans, including a onetime 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. The overall impact to the Agency's net pension liability and related balances is not known at this time. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The Agency cannot predict whether the petitioners will be successful in whole or in part nor what the impact of a successful challenge may be. Further, the Agency cannot predict whether SB 1049 will be subject to additional legal challenges that could affect some or all of its provisions.

Other Supplementary Information

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Major Governmental Fund

Capital Projects Fund

Capital Projects Fund – Accounts for the restricted revenue of the shared local option levy tax funds accumulated to replace Agency equipment.

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Washington County Consolidated Communications Agency

Capital Projects Fund
 Schedule of Revenues, Expenditures, Other Financing Sources,
 and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	Original and Final Budget Amounts	Actual	Variance with Final Budget
REVENUES			
Investment earnings	\$ 5,500	\$ 16,425	\$ 10,925
Intergovernmental	19,424,903	14,223,953	(5,200,950)
Total revenues	<u>19,430,403</u>	<u>14,240,378</u>	<u>(5,190,025)</u>
EXPENDITURES			
Materials and services	275,554	275,554	-
Capital outlay	19,042,532	13,957,175	5,085,357
Operating contingency	873,187	-	873,187
Total expenditures	<u>20,191,273</u>	<u>14,232,729</u>	<u>5,958,544</u>
Excess (deficiency) of revenues over expenditures	<u>(760,870)</u>	<u>7,649</u>	<u>768,519</u>
OTHER FINANCING SOURCES			
Transfers in	150,000	150,000	-
Changes in fund balances	<u>(610,870)</u>	<u>157,649</u>	<u>768,519</u>
Fund balances, June 30, 2018	<u>996,407</u>	<u>770,890</u>	<u>(225,517)</u>
Fund balances, June 30, 2019	<u>\$ 385,537</u>	<u>\$ 928,539</u>	<u>\$ 543,002</u>

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Statistical Section

This part of the Agency's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the Agency's overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.

Revenue Capacity – This schedule contains information to help the reader assess the Agency's most significant local revenue sources, charges for services, which are paid through contracts with participating governments.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Washington County Consolidated Communications Agency
Net Position by Component
Last Ten Fiscal Years

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	Restated 2017	2018	2019
Government Activities:										
Investment in capital assets	\$ 10,238,081	\$ 9,412,723	\$ 8,294,363	\$ 6,744,329	\$ 5,113,490	\$ 3,949,524	\$ 3,616,090	\$ 4,304,180	\$ 26,423,619	\$ 39,949,800
Restricted	-	300,442	526,393	425,192	370,219	635,915	352,190	600,779	770,890	928,539
Unrestricted	4,725,832	3,900,192	3,419,368	3,944,454	(399,030)	2,211,473	(1,793,752)	(3,650,752)	(3,653,830)	(2,960,578)
Total net position	\$ 14,963,913	\$ 13,613,357	\$ 12,240,124	\$ 11,113,975	\$ 5,084,679	\$ 6,796,912	\$ 2,174,528	\$ 1,254,207	\$ 23,540,679	\$ 37,917,761

Washington County Consolidated Communications Agency

Changes in Net Position Last Ten Fiscal Years

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EXPENSES										
Public safety - dispatch service	\$ 12,084,647	\$ 12,366,711	\$ 13,301,959	\$ 12,922,456	\$ 13,607,448	\$ 11,063,282	\$ 18,152,021	\$ 15,054,499	\$ 14,993,832	\$ 14,571,493
PROGRAM REVENUES										
Charges for services	6,911,150	7,737,346	8,356,790	8,637,749	9,048,027	9,461,175	9,828,236	10,285,973	11,015,612	11,239,496
Operating grants and contributions	24,077	500	3,500	-	-	-	-	-	-	-
Capital grants and contributions	125,000	125,000	752,641	-	-	194,400	350,000	1,072,717	22,812,685	14,223,953
Total program revenues	7,060,227	7,862,846	9,112,931	8,637,749	9,048,027	9,655,575	10,178,236	11,338,690	33,828,297	25,463,449
Net program revenues (expense)	(5,024,420)	(4,503,865)	(4,189,028)	(4,284,707)	(4,559,421)	(1,407,707)	(7,973,785)	(3,715,809)	18,834,465	10,891,956
GENERAL REVENUES										
9-1-1 taxes	2,646,044	2,674,076	2,587,085	2,585,911	2,558,815	2,556,776	2,818,260	2,905,401	3,025,198	3,116,690
Investment earnings	31,557	22,632	20,561	24,534	27,074	24,939	32,529	53,106	92,571	165,151
Miscellaneous	275,237	456,601	208,149	548,113	423,333	538,225	500,612	350,586	334,238	203,285
Total general revenues	2,952,838	3,153,309	2,815,795	3,158,558	3,009,222	3,119,940	3,351,401	3,309,093	3,452,007	3,485,126
CHANGE IN NET POSITION	\$ (2,071,582)	\$ (1,350,556)	\$ (1,373,233)	\$ (1,126,149)	\$ (1,550,199)	\$ 1,712,233	\$ (4,622,384)	\$ (406,716)	\$ 22,286,472	\$ 14,377,082

Washington County Consolidated Communications Agency
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GENERAL FUND										
Non-spendable										
Unassigned										
Total general fund										
ALL OTHER GOVERNMENTAL FUNDS										
Restricted, reported in:										
Capital projects fund										
Assigned, reported in:										
Capital projects fund										
Total all other governmental funds										

Note: With the implementation of GASB 54 in 2011, the categories of fund balances are shown under new definitions. Over time, all fund balances will be reported under the new fund balance categories.

Washington County Consolidated Communications Agency
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Taxes	\$ 2,752,801	\$ 2,708,898	\$ 2,605,085	\$ 2,591,911	\$ 2,560,815	\$ 2,566,276	\$ 2,760,760	\$ 2,876,401	\$ 2,995,198	\$ 3,092,690
Intergovernmental	125,000	125,000	655,741	353,727	218,688	288,432	568,688	1,072,717	22,812,685	14,223,953
Investment earnings	31,557	22,632	20,561	24,534	27,075	24,939	32,529	53,106	92,571	165,151
Charges for services	7,015,143	7,737,346	8,356,789	8,637,749	9,048,027	9,461,175	9,828,236	10,265,973	11,015,612	11,239,496
Grants	2,077	-	-	-	-	194,400	-	-	-	-
Miscellaneous	249,791	307,694	177,408	371,289	204,645	249,793	305,570	350,586	334,238	203,285
Total revenues	10,176,369	10,901,570	11,815,584	11,979,210	12,059,250	12,785,015	13,495,783	14,618,783	37,250,304	28,924,575
EXPENDITURES										
Public safety	9,790,478	10,447,067	11,095,277	11,108,128	11,872,734	12,445,635	12,567,944	12,835,884	13,642,441	13,139,234
Capital outlay	851,590	915,041	849,921	251,544	37,059	274,667	1,129,572	1,638,890	22,772,391	14,129,480
Total expenditures	10,642,068	11,362,108	11,945,198	11,359,672	11,909,793	12,720,302	13,697,516	14,474,774	36,414,832	27,268,714
Excess (deficiency) of revenues over expenditures	(465,699)	(460,538)	(129,614)	619,538	149,457	64,713	(201,733)	144,009	835,472	1,655,861
OTHER FINANCING SOURCES (USES)										
Transfers in	213,155	95,028	599,093	-	-	250,000	250,000	250,000	150,000	150,000
Transfers out	(213,155)	(95,028)	(599,093)	-	-	(250,000)	(250,000)	(250,000)	(150,000)	(150,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (465,699)	\$ (460,538)	\$ (129,614)	\$ 619,538	\$ 149,457	\$ 64,713	\$ (201,733)	\$ 144,009	\$ 835,472	\$ 1,655,861

Washington County Consolidated Communications Agency

Principal Contract Revenue Payers

Last Ten Fiscal Years

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Washington County	\$ 1,527,602	\$ 1,746,085	\$ 1,914,591	\$ 1,963,089	\$ 2,028,264	\$ 2,143,902	\$ 2,350,589	\$ 2,461,901	\$ 2,645,367	\$ 2,676,852
Tualatin Valley Fire & Rescue	1,332,868	1,387,626	1,517,951	1,556,622	1,587,534	1,666,547	1,797,370	2,055,447	2,205,483	2,258,691
City of Hillsboro	1,194,647	1,349,420	1,479,089	1,516,296	1,567,470	1,661,963	1,628,101	1,723,938	1,843,349	1,854,519
City of Beaverton	872,039	983,774	1,083,679	1,109,671	1,147,549	1,203,975	1,262,403	1,303,350	1,363,927	1,383,543
City of Tigard	443,631	498,398	550,021	562,661	572,358	602,656	583,600	585,839	640,830	661,408
City of Forest Grove	258,588	289,104	326,996	338,812	357,190	372,361	424,425	438,674	489,089	490,214
City of Tualatin	243,454	274,253	302,873	304,149	312,673	327,794	329,417	331,967	362,766	370,828
City of Sherwood	153,923	177,638	196,069	214,977	221,105	235,088	198,587	205,461	226,514	217,654
City of Cornelius	116,636	129,982	137,336	148,115	152,213	153,695	151,343	165,127	167,811	196,940
Washington County Fire District #2	53,864	55,546	58,783	59,850	62,179	64,340	64,873	-	-	-
City of Banks & Banks FD#13	30,863	32,022	32,870	33,728	34,740	35,994	36,856	39,233	40,775	40,272
City of Gaston	21,983	22,760	23,357	24,024	24,192	24,916	25,664	26,634	27,648	25,324
City of King City	17,788	18,323	19,234	20,335	20,024	21,072	21,314	22,044	22,907	23,212
City of North Plains	10,715	11,507	12,077	11,708	12,270	12,624	12,923	15,776	13,572	13,980
City of Durham	11,358	11,670	12,052	12,412	12,784	13,168	13,564	14,076	14,388	11,384
C800 Radio Group	415,710	572,991	481,626	518,404	672,133	630,756	610,952	620,474	706,030	750,898
Total	\$ 6,705,669	\$ 7,561,099	\$ 8,148,604	\$ 8,394,853	\$ 8,784,678	\$ 9,170,851	\$ 9,511,981	\$ 10,009,941	\$ 10,770,456	\$ 10,975,719

Source: The Agency's basic financial statements, current and prior.

Washington County Consolidated Communications Agency

Demographic and Economic Statistics Last Ten Fiscal Years

For the Year Ended June 30,	Population ⁽¹⁾	Per Capita Income (Washington County) ⁽³⁾	Total Personal Income (Washington County) (in thousands) ⁽³⁾	Unemployment Rate (%) (Washington County) ⁽²⁾
2019	(A)	(A)	(A)	3.4%
2018	606,280	\$ 60,971	\$ 36,442,209	3.6
2017	595,860	57,787	34,161,728	3.7
2016	583,595	55,017	32,175,890	4.5
2015	507,510	53,899	30,877,272	5.0
2014	560,465	50,569	28,446,967	5.8
2013	550,990	46,757	25,969,097	6.6
2012	542,845	47,008	25,788,385	7.3
2011	536,370	44,414	24,026,099	7.9
2010	532,620	41,500	22,063,030	9.0

(A) Information is not available at the time of this report.

Notes: Information regarding the median age and education level of the Agency's population is not available.

Sources: Estimated information provided by:

- (1) Portland State University Population Research Center as of July 1st of each year.
- (2) State of Oregon Employment Department as of June 30th of each year.
- (3) U.S. Department of Commerce, Bureau of Economic Analysis

Washington County Consolidated Communications Agency

Major Employment Sectors Current Year and Nine Years Ago

	As of June 2019		As of June 2010	
	Sector Total	% of Total	Sector Total	% of Total
For Washington County, Oregon:				
Private:				
Natural resources and mining	3,091	1%	3,372	1%
Agriculture, forestry, fishing & hunting	2,842		3,111	
Mining	249		261	
Construction	17,356	6%	10,135	4%
Manufacturing	51,947	17%	40,789	17%
Trade, transportation, and utilities	50,540	17%	45,725	19%
Wholesale trade	13,704		15,717	
Retail trade	31,422		26,933	
Transportation, warehousing, utilities	5,414		3,075	
Information	7,788	3%	7,875	3%
Financial activities	15,015	5%	13,700	6%
Finance and insurance	10,660		10,455	
Real estate and rental and leasing	4,355		3,245	
Professional and business services	57,048	19%	33,541	14%
Professional and technical services	16,258		10,835	
Management of companies and enterprises	17,323		5,645	
Administrative and waste services	23,467		17,061	
Educational and health services	37,794	12%	28,626	12%
Educational services	5,857		4,680	
Health care and social assistance	31,937		23,946	
Leisure and hospitality	27,715	9%	19,552	8%
Arts, entertainment, and recreation	4,786		3,214	
Accommodation and food services	22,929		16,338	
Other services	10,757	4%	7,290	3%
Unclassified	269	0%	58	0%
Government:				
Federal government	921	0%	1,304	1%
State government	2,084	1%	2,659	1%
Local government	20,901	7%	20,180	9%
Local education	11,451		11,968	
Local government excluding educational services	9,450		8,212	
Total nonfarm employment	303,226	100%	234,806	100%

Source: State of Oregon Employment Department, Oregon Labor Market Information System

Washington County Consolidated Communications Agency

Principal Taxpayers Within the County Current Year and Nine Years Ago

	For year ending June 30, 2019			For year ending June 30, 2010		
	Rank	Assessed Value (in thousands)	% of Total	Rank	Assessed Value (in thousands)	% of Total
Intel	1	2,078,052	3.2%	1	1,053,478	2.3%
Nike, Inc.	2	1,093,542	1.7%	3	436,478	1.0%
Portland General Electric	3	562,421	0.9%	4	429,873	0.9%
Pacific Realty Associates	4	393,579	0.6%	6	294,193	0.6%
Northwest Natural Gas Co	5	363,828	0.6%	5	300,944	0.7%
Comcast Corporation	6	256,677	0.4%	7	212,605	0.5%
Verizon Communications	7	235,898	0.4%	2	436,478	1.0%
Genentech, Inc.	8	212,360	0.3%			
Lam Research Corporation	9	169,942	0.3%			
PPR Washington Square LLC	10	149,777	0.2%			
Maxim Integrated Products, Inc				8	155,112	0.3%
Tektronix Inc				9	132,746	0.3%
PS Business Parks				10	104,442	0.2%
All other taxpayers		59,458,237	91.5%		41,843,134	92.2%
Total		64,974,313	100.0%		45,399,483	100.0%

Source: Washington County, Oregon

Washington County Consolidated Communications Agency
 Full-time Equivalent Agency Employees by Function
 Last Ten Fiscal Years

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Dispatchers	64.0	61.0	63.0	55.0	62.0	60.0	58.0	63.0	59.0	59.0
Operations Supervisors	6.0	6.0	6.0	6.0	6.0	6.0	7.0	6.0	6.0	5.0
Logistics	11.0	11.5	11.9	10.5	10.5	10.5	11.9	12.9	12.9	11.5
Performance Management	3.0	4.0	4.4	5.0	4.5	4.5	4.5	4.5	4.5	3.5
Administration and Other	6.0	6.0	6.0	6.1	5.1	6.1	6.1	6.1	5.1	6.0
Total	90.0	88.5	91.3	82.6	88.1	87.1	87.5	92.5	87.5	85.0

Source: The Agency's Administration/Human Resources

Washington County Consolidated Communications Agency

Operating Indicator by Function Last Ten Fiscal Years

	For the Year Ended June 30,									
	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Dispatch service calls	411,105	372,735	360,478	469,326	457,858	493,688	505,794	507,291	515,690	514,466

* Technology phone upgrade. Potential data loss.

Source: The Agency's Information Technology

Washington County Consolidated Communications Agency
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Communications Network	3	3	3	3	3	3	3	3	3	4
Radio Towers	13	13	13	13	13	13	13	13	13	16
Radios, Mobile and Portable	6,908	7,995	7,735	7,638	7,830	7,688	7,812	7,884	7,777	7,171

Source: The Agency's Radio Services

**Independent Auditor's Report
on Compliance and Internal Control over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Oregon State Regulations**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS**



Board of Commissioners
Washington County Consolidated Communications Agency
Beaverton, Oregon

We have audited the financial statements of the governmental activities and each major fund of Washington County Consolidated Communications Agency (the Agency), as of and for the year ended June 30, 2019, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 20, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS (Continued)**

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and have communicated the deficiency in a separate letter to management dated December 20, 2019.

PURPOSE OF THIS REPORT

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

Talbot, Korvola & Warwick LLP

Lake Oswego, Oregon
December 20, 2019