



Washington County Consolidated Communications Agency

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2006

Washington County Consolidated Communications Agency
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Prepared by Tualatin Valley Fire and Rescue - Division of Finance

Debra L. Guzman, Chief Financial Officer
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Linda Compton, Sr. Financial Systems Analyst



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**INDEPENDENT AUDITOR'S REPORT
ON SUMMARY OF REVENUES AND EXPENDITURES**

November 22, 2006

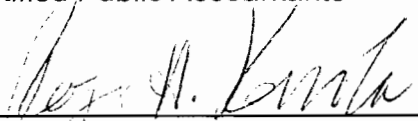
Secretary of State
Division of Audits
Salem, Oregon

We have audited the basic financial statements of Washington County Consolidated Communications Agency (the Agency) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 22, 2006. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Agency taken as a whole. The accompanying Summary of Revenues and Expenditures, which is required by the *Minimum Standards for Audits of Oregon Municipal Corporations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that summary has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Roger A. Korvola, Partner



Washington County Consolidated Communications Agency

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2006

Account	Date	Initial
Adm	1-2-07	u
GIS	1-2-07	u
Man	1-3-07	Jmc
Scanner	2-7-07	JS
Comments		

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Washington County Consolidated Communications Agency
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2006

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Introductory Section



Washington County Consolidated Communications Agency

November 22, 2006

Chair Rob Drake 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, 2006. The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the Agency. To provide a reasonable basis for making these representations, the Agency's management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Agency's management provides a narrative introduction, overview, and analysis of the basic financial statements otherwise known as the Management's Discussion and Analysis (MD&A), immediately following the independent auditor's report. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Talbot, Korvola and Warwick, L.L.P. has issued an unqualified opinion on the Agency's financial statements for the fiscal year ended June 30, 2006. The Independent Auditor's Report is located at the front of the financial section of this report.

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. This report has been prepared in accordance with accounting principles generally accepted in the United States of America and follows guidelines recommended by the Government Finance Officers Association of the United States and Canada.

The Reporting Entity and Its Services

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. A Board of Commissioners comprised of one representative from each participating jurisdiction governs the Agency.

The Board of Commissioners is responsible for the appointment of the Agency's Director, strategic planning, establishment of Agency service levels and performance standards, adoption of the annual budget, and approval of all contracts over \$50,000.

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 \$50,000, salary levels, and 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 Technical Advisory Committee (TAC) was established to provide advice and counsel in matters regarding standard operating procedures and Agency operation. Each member agency has a user representative on the Committee.

WCCCA's Board of Commissioners has established the Agency's mission statement, which reflects WCCCA's commitment to providing quality services to all of its customers. The mission statement reads, "WCCCA is committed to providing timely, efficient and compassionate communication services to all citizens through innovation, employee excellence, and partnerships with public-safety providers." The strategic goals for WCCCA are to:

- 1) Maintain and Improve Performance levels for Call Answering and Radio Dispatch Services
- 2) Maximize Utilization of Existing Resources
- 3) Ensure Financial Stability
- 4) Ensure Preparedness for Catastrophic Events
- 5) Seek Efficiencies through Cooperative Initiatives
- 6) Promote Craftsmanship and Pride Throughout the Organization
- 7) Develop and Foster a Workforce which Honors and Respects the Diversity and Contributions of One Another Including the Community We Serve.

WCCCA continues to contract with Metro, a regional government agency, for access to surrounding counties' data and graphic interface system (GIS) programming specialists. All of WCCCA's mapping information is stored and accessed via Metro's internet site, allowing participating agencies to access and print maps 24 hours a day.

Such partnerships have continued to improve operating efficiencies on a regional basis by sharing dispatch resources and have provided a level of technological enhancements throughout the county that would not otherwise be possible.

Economic Condition and Outlook

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, and portions of the western area of Multnomah County contiguous with the boundaries of Tualatin Valley Fire and Rescue.

Washington County continues to experience one of the highest rates of population growth in the State of Oregon. The County's population includes two of the state's largest cities, Hillsboro, and Beaverton. There is a direct correlation in the number of public safety calls and the amount of Agency dispatch services required, relative to the population served. We continue to work proactively and cooperatively with other governments and regional planning groups to ensure the continued ability to serve this future population.

This area serves as the home to internationally recognized companies such as Nike, Mentor Graphics, In Focus, and Tektronix. Top metropolitan area employers include Intel, Fred Meyer, Inc., Verizon Northwest, Portland General Electric, IBM, Kaiser Permanente, Providence Health Systems, U.S. Bancorp, Freightliner, Tektronix, Nike, and Maxim Integrated Products, among others. The area has attracted significant retail and wholesale marketers such as Costco Wholesale Clubs, Dayton-Hudson Stores, and Rite-Aid Drug Stores, and companies such as Pacific Realty Associates have continued development of acres of land adjacent to the Sunset Highway. Nike's world headquarters complex houses thousands of employees in office buildings bordering a seven-acre man-made lake and five acres of wetlands. Intel has continued to invest in multi-million dollar facility expansions to manufacture state-of-the-art computer chips, largely in the City of Hillsboro.

As an ORS 190 organization, user fees from the participating jurisdictions fund the Agency, along with State of Oregon levied 9-1-1 excise taxes. The 9-1-1 excise tax is a state-mandated tax of 75 cents per month levied on all telephone users, including cellular phone lines, which have access to 9-1-1. Revenues from this excise tax have been increasing due to the County's population growth, which increases the number of phone devices, which are levied the 9-1-1 excise tax. The sunset for the current 9-1-1 tax is December 2007 and it is expected to be extended again during the 2007 legislative session. While this provides some stability as a source of revenue, the resulting potential for further legislative action is rendering it difficult to accurately predict prospective 9-1-1 tax revenues.

As the economy slowly stabilizes, WCCCA has experienced some economic repercussions through our member agencies. Because member agencies are municipalities and districts supported by property taxes, the Agency must respond to their budgetary limitations and seek to minimize user agency fees through the effective management of resources into the future.

Major Initiatives

Agency Service Efforts and Accomplishments

The Agency has continued in its efforts to reform employment practices at WCCCA. Staff continues to work to address employment policy issues, as well as other organizational development issues. These organizational development issues address workload and staffing levels, management information and reporting, and service levels to WCCCA's user agencies and the community.

An ongoing task is the establishment and maintenance of a strong dispatcher recruitment eligibility list, enabling the Agency to quickly fill vacant positions with pre-qualified candidates. The use of this list has saved both time and money in the recruitment process. Due to shortages in the number of qualified coaches to work with the trainees, actual staffing levels reduced slightly in 2005, for a total of 58 dispatchers out of a budgeted 62.5 full-time employees. Staff is working to increase the number of coaches available to train newly hired dispatchers.

Staff has continued to focus on the planning and implementation of the public safety levy supported projects. Staff continued the process of planning and building the radio system infrastructure included in the levy. After extensive research, staff identified the radio tower sites and configurations that would provide optimum radio coverage for user agencies, and began the acquisition process for those sites. Staff has also successfully renegotiated most of the leases for existing tower sites.

WCCCA staff continues to support the Clackamas County 800 MHz radio system, both technologically and operationally. The sites in Clackamas County provide direct benefit to the eastern portion of Washington County through better coverage in the cities of Beaverton, Tigard, and Tualatin as well as those areas served by Tualatin Valley Fire and Rescue and Washington County Sheriff's Office. Consequently, this unique partnership has significantly reduced the amount of build out required by WCCCA to adequately serve these areas for our users.

WCCCA was successful in a grant application for Homeland Security funds in the 2004-05 grant period. Several of the grant projects were dependent upon the finished construction of several new sites which experienced considerable delays. Fortunately, two extensions were approved in 2005-06 which will allow those projects to be completed. This award will enable WCCCA to improve security at the facility and at tower sites, as well as on the Agency's computer and wireless networks. Additionally, this award will fund software to better track and report on resources in the field, and will provide a vehicle to tow the mobile repeater unit procured in the 2003-04 Homeland Security grant.

Agency staff continued an active role in the Urban Area Strategic Initiative, helping to form a consortium of seven communications centers in the metropolitan region. The consortium is in the final stages of the \$1.1 million project from 2003 grant funds to develop and implement a solution for Computer Aided Dispatch (CAD) to CAD interoperability among the communication centers in the region. This will improve the center's ability to respond in the event of a regional emergency. This consortium will also utilize \$1.137 million in 2004 grant funds to further improve the regional system by developing a solution for voice radio interoperability

between the local responders and state or federal agencies. In the 2005 grant cycle, WCCCA received \$225,000 to replace an aging piece of equipment that manages the traffic on our mobile data system.

For the Year and For the Future

The Nextel Rebanding project will be one of the largest projects for WCCCA's Technical staff in 2006 and 2007. In 2005 the FCC negotiated a settlement between Nextel and public safety users nationwide to resolve issues with interference caused by Nextel on the public safety frequencies. The solution involves moving all public safety users farther away from Nextel frequencies, and installing guard and expansion bands as a buffer. This solution should significantly reduce interference issues experienced by all public safety users, but will take a massive effort on the parts of the parties involved. As part of the settlement, Nextel has agreed to fund the move, including replacement of radios and equipment that are not capable of being reprogrammed, project management, legal expenses, and most other associated costs.

Nextel has granted approval for staff to proceed to Stage 1 of the project in February 2007, which will encompass the reprogramming of the Vehicle Radio Modems (VRM's). Staff is working to submit an Early Subscriber Replacement Project proposal to Nextel, which will provide for the purchase of 851 mobile radios to replace the Spectras. It is anticipated that the replacement of the radios will begin in March 2007. In addition, Motorola is currently preparing its Stage 2 Statement of Work for approval by Nextel. Stage 2 will be the process of completely retuning the infrastructure backbone. WCCCA's rebanding project is expected to be complete by November 2007.

Another primary focus in the current year will be the implementation of the remainder of the levy project. Radio tower site construction continues, as well as technology upgrades to several existing sites for expanded functionality. These upgrades are expected to improve radio coverage for our user agencies on a daily basis, as well as improve interoperability with other radio systems in the region to better prepare for any potential emergency events. As the major capital projects are completed and the remaining funding levels become better known, staff will work with user agencies and Board members to adjust the priorities of the levy projects.

Over the past several years, WCCCA has been heavily involved with legislative efforts to stabilize and ensure continued 9-1-1 funding and plans to continue a leadership role in this critical effort. The law authorizing the .75 cent tax is scheduled to sunset in 2007. Staff will work with our statewide 9-1-1 Managers group to ensure this law is renewed in the 2007 legislative session. The potential effects of loss of this funding could have serious service delivery implications for agencies around the state, including WCCCA, as there is no other mechanism available with which organizations can fund the program. While the funding has stabilized at the moment, legislative action could change that at any time. For this reason, staff plans to keep informed of any potential changes or new developments regarding this issue and develop a coordinated strategy with user agencies, local government and state associations for upcoming legislative sessions.

Cash Management

The Agency invests available cash in the Oregon State Treasury's Local Government Investment Pool.

Risk Management

The Agency has purchased its general and auto liability and workers' compensation insurance policies through City County Insurance Services. City County is a trust established by the League of Oregon Cities and the Association of Oregon Counties to provide risk management services including insurance and loss control to its member entities.

Coverage and rates are guaranteed for a three-year period to provide stability in the governmental budgeting process. The City County pools retain only certain portions of risk, purchasing commercial reinsurance to cover losses above the retention levels. Currently the retention levels are \$500,000 for liability, \$50,000 for property and \$250,000 for workers' compensation coverage. The Agency has purchased additional coverage for general liability up to \$2,000,000 per occurrence. City County also provides comprehensive risk management and loss control services which are integral in maintaining the financial integrity of the pools. The Agency purchases property, boiler and machinery insurance coverage for the dispatch facility and

remote radio transmitting sites. The Agency's loss experience in all areas has been excellent. Equipment and facilities are well maintained. Losses are reviewed by management, and steps are recommended to reduce future potential losses. Workers' compensation losses have also been maintained at a low level.

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. This requirement has been complied with 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 for the fiscal year ended June 30, 2005. This is the tenth year that the Agency has received this prestigious award. In order to be awarded a Certificate of Achievement, a public agency needs to publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

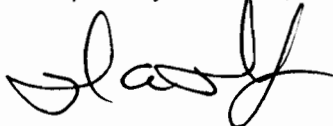
A Certificate of Achievement is valid for a period of one year only. We believe that this current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement for Excellence in Financial Reporting, WCCCA also received the GFOA Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2006. In order to be awarded a Distinguished Budget Presentation Award, a public agency must publish an effective and understandable financial plan for the upcoming fiscal year and beyond. This was the fourth year that the Agency has applied for and received this prestigious award. WCCCA will continue efforts to develop a viable financial plan for the future of the Agency through the budget process.

Acknowledgments

We express our sincere gratitude to the personnel of the Finance Division at Tualatin Valley Fire and Rescue who assisted and contributed to this report, and to the administrative staff at WCCCA for their diligent work throughout the year. We also would like to extend our appreciation to the Board of Commissioners, the managers, employees and citizens of the Agency whose continuing support is vital to the financial and community affairs of the Agency.

Respectfully submitted,



Paul A. Pedersen, Jr.
Director



Debra L. Guzman, CPA
Chief Financial Officer

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, 2005

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



President

Executive Director

Washington County Consolidated Communications Agency

Board of Commissioners

June 30, 2006

Mayor Rob Drake, Chair
City of Beaverton
PO Box 4755
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Brian Coussens
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Banks, OR 97106

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Tigard, OR 97223

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Cornelius, OR 97113

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Tualatin, OR 97062

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Cornelius Police Department
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Aloha, OR 97007

Robert Davis
Washington County
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Hillsboro, OR 97124

Robert Massar
City of Hillsboro
123 W Main Street
Hillsboro, OR 97123

Administrative Offices

P.O. Box 6375
Beaverton, OR 97007

Registered Agent

None

Legal Counsel

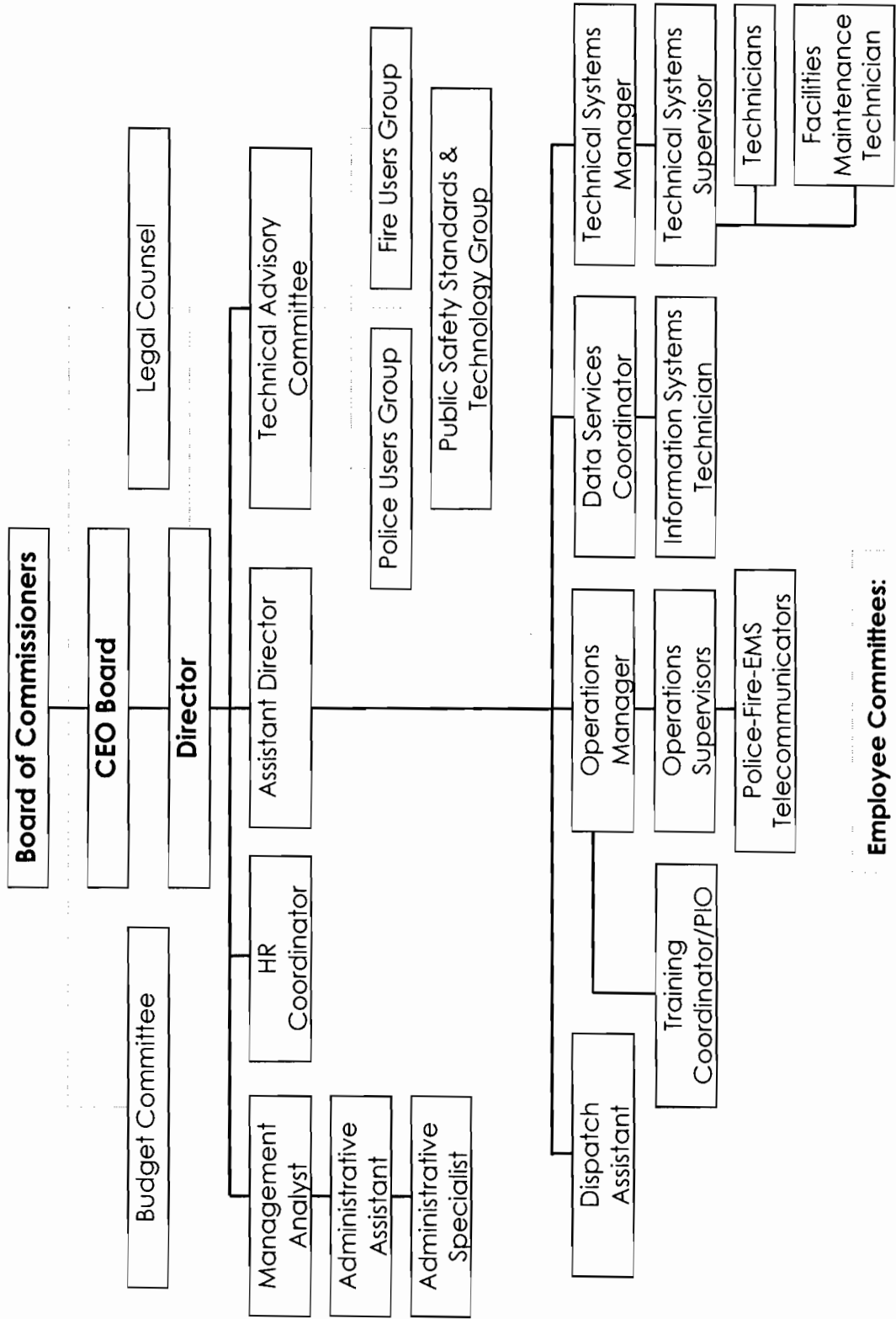
Bullivant, Houser, Bailey
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888 SW Fifth Avenue
Portland, OR 97204

Washington County Consolidated Communications Agency
Budget Committee
June 30, 2006

Name	Jurisdiction
Tim Addleman	City of Sherwood
Phil Anderson	Gaston Fire District
Chris Asanovic	Cornelius Fire District
Teri Branstitre	City of Banks
Brian Coussens	Banks Fire District No. 13
Robert Davis	Washington County
Rob Drake	City of Beaverton
Patrick Duffy	City of Beaverton
Chuck Fessler	City of King City
Dean Gibbs	City of Durham
Jay Harris	City of Tualatin
TJ Johnston	City of Forest Grove
Robert Kindel, Jr.	City of North Plains
Sue Lamb	City of Tualatin
Robert Massar	City of Hillsboro
Robert Mills	Forest Grove Fire District
Michael Mudrow	Tualatin Valley Fire and Rescue
Al Orr	City of Tigard
Bob Rohlf	City of Tigard
Paul Rubenstein	City of Cornelius
Gary Wells	Washington County Fire District No. 2
Bob Wyffels	Tualatin Valley Fire and Rescue

Paul A. Pedersen Jr.
Director/Budget Officer

Washington County Consolidated Communications Agency Organizational Chart



- Employee Committees:**
- Safety
 - Employee Resolutions
 - Quality Assurance
 - Coaches

Financial Section



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INDEPENDENT AUDITOR'S REPORT

November 22, 2006

Board of Directors
Washington County Consolidated Communications Agency
Aloha, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington County Consolidated Communications Agency (the Agency) as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Agency as of June 30, 2006, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Washington County Consolidated Communications Agency
Aloha, Oregon
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental information on pages 27 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Roger A. Korvola, Partner

Management's Discussion and Analysis

Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2006

As management of Washington County Consolidated Communications Agency (WCCCA or 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, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- In the government-wide financial statements, the assets of the Agency exceeded its liabilities at June 30, 2006, by \$14,894,989. Of this amount, \$8,209,419 represents the Agency's investment in capital assets, \$3,233,634 is restricted for facility improvements and equipment, and the balance of \$3,451,936 will be used to meet the Agency's ongoing obligations to participating governments and creditors.
- The Agency's total net assets increased by \$2,309,667, plus a prior year adjustment of \$187,025, totaling \$2,496,692. The increase is primarily from levy proceeds received from Washington County for facility improvements and capital equipment. The proceeds from this bond issued by Washington County are the intergovernmental transfer in the System Upgrade Capital Fund.
- As of June 30, 2006, the Agency's governmental funds reported combined ending fund balances of \$6,884,138 an increase of \$1,656,493 including prior period adjustment of \$187,025 in comparison with the prior year. The increase in fund balance was from bond proceeds issued by Washington County that are intergovernmental revenue in the System Upgrade Capital Fund.
- At June 30, 2006, unreserved fund balance for the General Fund was \$2,823,838 or 35 percent of total general fund expenditures and other financing uses.
- By ORS law, the Agency is not allowed to incur debt. Washington County, who currently owns the facility, passed a local option levy on the Agency's behalf for facility improvements and for capital equipment and furniture for the facility.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business, and include the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful 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 assets changed during the most recent fiscal year. All changes in net assets 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

Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2006

are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected 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 dispatch operations and emergency communications, and are primarily supported through 9-1-1 taxes and charges for services to other governments.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements

The *fund financial statements* provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds. 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.

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 evaluating a government'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 government's near-term financing decisions. Both the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances* are reconciled to the government-wide *Statement of Net Assets* and *Statement of Activities*.

The Agency maintains five individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund and the System Upgrade Capital Fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as supplemental information.

Additionally, the Agency adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 16.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to 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 17-26 of this report.

Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 27 through 32 of this report. The Statistical Section can be found beginning on page 33 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$14,894,989 at June 30, 2006.

The largest portion of the Agency's net assets (55 percent) reflects its investment in capital assets (e.g. building and equipment). The Agency uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The remaining assets consist mainly of cash and cash equivalents and 9-1-1 taxes receivable which are used to meet the Agency's ongoing obligations to its participating governments.

Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2005
	2006	2005 Restated	
Current and other assets	\$ 7,399,382	\$ 6,202,627	\$ 1,196,755
Capital assets	8,209,419	7,456,210	753,209
Total assets	<u>15,608,801</u>	<u>13,658,837</u>	<u>1,949,964</u>
Current liabilities	713,812	1,260,540	(546,728)
Total liabilities	<u>713,812</u>	<u>1,260,540</u>	<u>(546,728)</u>
Net assets:			
Invested in capital assets, net of related debt	8,209,419	7,456,210	753,209
Restricted for capital projects	3,233,634	2,375,721	857,913
Unrestricted	3,451,936	2,753,391	698,545
Total net assets	<u>\$ 14,894,989</u>	<u>\$ 12,585,322</u>	<u>\$ 2,309,667</u>

The Agency's largest liability (45 percent) is for accrued compensated absences. Current liabilities of the Agency consist of accounts payable, salaries and benefits payable, compensated absences liability and unearned revenue.

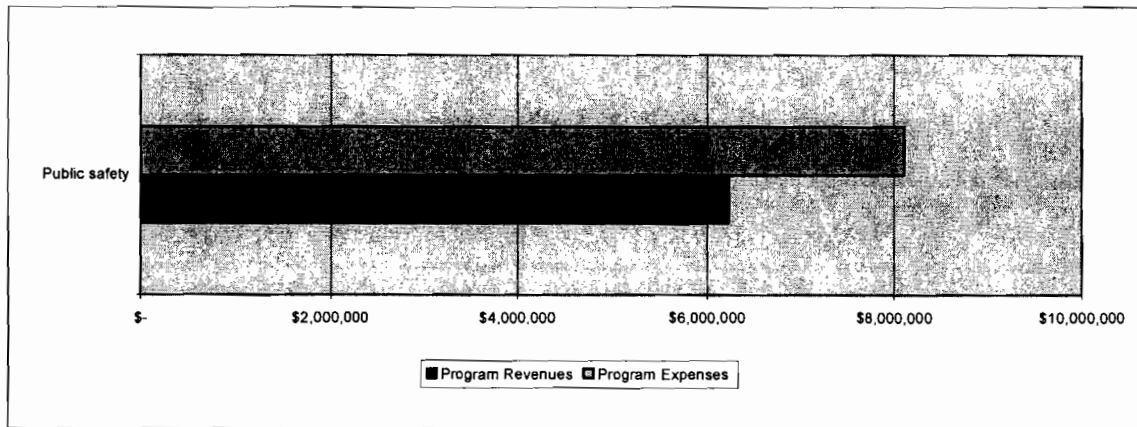
A large portion of the Agency's total assets (53 percent) reflects its investment in capital assets (e.g. buildings and improvements and furniture, fixtures, and communication equipment). The Agency uses these capital assets to provide services to the participating governments and consequently are not available for future spending.

Governmental activities. In the Governmental Activities, there was an increase in charges for services, 9-1-1 tax revenue, and interest earnings over the prior year; and expenses were lower than anticipated. Governmental activities increased the Agency's net assets in the prior year by \$2,309,667, plus a prior period adjustment of \$187,025 for grant revenue that should have been recorded in 2004-05, totaling \$2,859,797.

Washington County Consolidated Communications Agency
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For the Year Ended June 30, 2006

Changes in Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2005
	2006	2005 Restated	
Revenue:			
Program revenues			
Charges for services	\$ 5,935,009	\$ 5,648,971	\$ 286,038
Operating grants and contributions	129,827	790,774	(660,947)
Capital grants and contributions	166,650		166,650
General revenues:			
9-1-1 taxes	2,390,880	2,231,608	159,272
Earnings on investments	231,176	102,825	128,351
Proceeds from levy (intergovernmental)	1,510,264	1,510,264	
Miscellaneous	55,949	30,038	25,911
Total revenues	<u>10,419,755</u>	<u>10,314,480</u>	<u>105,275</u>
Expenses:			
Public safety-dispatch service	8,110,088	7,454,683	655,405
Total expenses	<u>8,110,088</u>	<u>7,454,683</u>	<u>655,405</u>
Increase in net assets	2,309,667	2,859,797	(550,130)
Net assets - July 1, 2005, as restated	12,585,322	9,725,525	2,859,797
Net assets - June 30, 2006	<u>\$ 14,894,989</u>	<u>\$ 12,585,322</u>	<u>\$ 2,309,667</u>

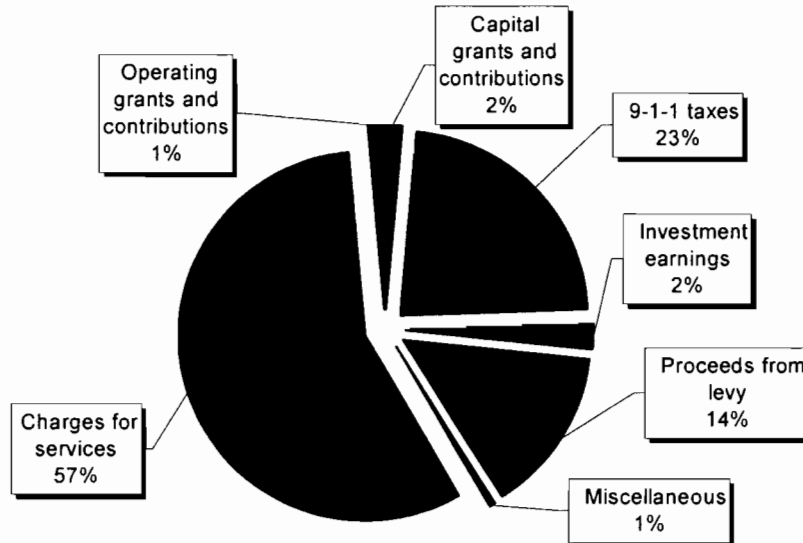
Expenses and Program Revenues – Governmental Activities



Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Revenues by Source – Governmental Activities

Total Revenues



Financial Analysis of the Government'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 short-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, the Agency's governmental funds reported combined ending fund balances of \$6,884,138, an increase of \$1,656,493 in comparison with the prior year, including the restatement of \$187,025. The total amount (100 percent) constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

General Fund. The General Fund is the chief operating fund of the Agency. As of June 30, 2006 the entire General Fund balance was unreserved at \$2,823,838. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36 percent of total general fund expenditures and total fund balance also represents 36 percent of that same amount.

The fund balance of the Agency's General Fund increased by \$717,051 during the current fiscal year. Key factors in this growth are expenditures for personal services, materials and services, and capital outlay being less than budgeted.

System Upgrade Capital Fund. The System Upgrade Capital Fund accounts for the accumulation of resources for construction costs of the existing facility, as well as significant capital outlays for building equipment and furniture. As of June 30, 2006, the ending fund balance of the System Upgrade Capital Fund was \$3,233,634, an increase of \$857,913 during the current fiscal year. This increase is due mainly

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Management's Discussion and Analysis
For the Year Ended June 30, 2006

to expenditures not yet made for continued radio tower site acquisition and construction, as well as technology upgrades to several existing sites for expanded functionality.

General Fund Budgetary Highlights

The Board approved two budget transfers to the adopted budget for June 30, 2006. The first budget transfer authorized the transfer of funds from the Accrued Compensated Absences Fund to the General Fund, thus eliminating the Accrued Compensated Absences Fund. The balance of the Accrued Compensated Absences Fund was no longer significant to warrant it being a special fund. The second budget transfer authorized the transfer of funds from the General Fund contingency account to capital.

Capital Assets

The Agency's investment in capital assets includes buildings and improvements, vehicles, furniture, fixtures, equipment, and work in progress. As of June 30, 2006, the Agency had invested \$8,209,419 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation)	Governmental Activities		Increase (Decrease) from Fiscal 2005
	2006	2005	
Buildings and improvements	\$ 1,172,493	\$ 1,265,708	\$ (93,215)
Vehicles	198,394	68,159	130,235
Furniture, fixtures, and equipment	1,515,657	1,729,653	(213,996)
Work in progress	5,322,875	4,392,690	930,185
Total net assets	\$ 8,209,419	\$ 7,456,210	\$ 753,209

During the year, the Agency's investment in capital assets increased by \$753,209 mainly due to the addition of the radio system included in work in progress. The major capital assets events for the year include radio tower site construction, technology upgrades to several existing sites, interoperability trailer, and radio system upgrades.

Additional information on the Agency's capital assets can be found in the notes to the financial statements on pages 19 and 22 of this report.

Economic Factors and Next Year's Budget

The Agency's 9-1-1 revenues have a direct correlation with population growth since 9-1-1 revenue is based on the number of phones the population carries. Continued population growth in the area is taking place, and while the Agency has lowered its growth rates for forecasting and future budget purposes, we still anticipate slightly increased 9-1-1 revenues in future years based upon continued population growth. Currently this funding source is stable, and while the law authorizing the 75 cent tax is scheduled to sunset in 2007, it is expected that it will continue to be renewed indefinitely.

The state's pension system for its public employees, PERS, has been under significant legislative and public scrutiny as the costs of the benefits have become higher than acceptable and are projected to continue to significantly increase. This pension system has been subject to significant legislative reform as well as changes mandated from court rulings. These reforms have served to slow down the rate of increase in PERS contribution rates for employers for now, but the majority are being contested through

Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2006

the court system creating additional uncertainty for PERS costs in the future. The 2006-07 budget and future forecasts reflect these significant factors.

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 the Chief Financial Officer, Washington County Consolidated Communications Agency, 20665 SW Blanton Street, Aloha, Oregon, 97007.

Basic Financial Statements

Washington County Consolidated Communications Agency
Statement of Net Assets
June 30, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,735,957
Receivables, net:	
9-1-1 taxes receivable	622,872
Accounts receivable	40,553
Capital assets not being depreciated:	
Construction in progress	5,322,875
Capital assets net of accumulated depreciation:	
Buildings and improvements	1,172,493
Vehicles	198,394
Furniture, fixtures, and equipment	1,515,657
Total assets	15,608,801
LIABILITIES	
Accounts payable	69,421
Accrued salaries and benefits payable	259,835
Accrued compensated absences	318,076
Unearned revenue	66,480
Total liabilities	713,812
NET ASSETS	
Invested in capital assets	8,209,419
Restricted for:	
Facility improvements and equipment	3,233,634
Unrestricted	3,451,936
Total net assets	\$ 14,894,989

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, 2006

	Governmental Activities
Expenses:	
Public safety - dispatch service:	\$ 8,110,088
Total program expenses	8,110,088
Program revenues:	
Charges for services	5,935,009
Operating grants and contributions	129,827
Capital grants and contributions	166,650
Total program revenues	6,231,486
Net program expenses	1,878,602
General revenues:	
9-1-1 taxes	2,390,880
Investment earnings	231,176
Intergovernmental, unrestricted	1,510,264
Miscellaneous	55,949
Total general revenues	4,188,269
 Change in net assets	 2,309,667
Net assets, July 1, 2005 - as previously stated	12,398,297
Restatement	187,025
Net assets, July 1, 2005 - as restated	12,585,322
 Net assets, June 30, 2006	 \$ 14,894,989

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

Washington County Consolidated Communications Agency
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	System Upgrade Capital Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,665,942	\$ 3,243,349	\$ 826,666	\$ 6,735,957
Receivables:				
9-1-1 taxes receivable	622,872			622,872
Accounts receivable	40,553			40,553
Due from other funds		82		82
Total assets	<u>\$ 3,329,367</u>	<u>\$ 3,243,431</u>	<u>\$ 826,666</u>	<u>\$ 7,399,464</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 59,624	\$ 9,797		\$ 69,421
Accrued salaries and benefits payable	308,692			308,692
Due to other funds	82			82
Deferred revenue	137,131			137,131
Total liabilities	<u>505,529</u>	<u>9,797</u>		<u>515,326</u>
Fund balances:				
Unreserved, reported in:				
General fund	2,823,838			2,823,838
Special revenue funds			\$ 826,666	826,666
Capital projects funds		3,233,634		3,233,634
Total fund balances	<u>2,823,838</u>	<u>3,233,634</u>	<u>826,666</u>	<u>6,884,138</u>
Total liabilities and fund balances	<u>\$ 3,329,367</u>	<u>\$ 3,243,431</u>	<u>\$ 826,666</u>	<u>\$ 7,399,464</u>

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

Washington County Consolidated Communications Agency
 Reconciliation of Governmental Funds
 Balance Sheet to Statement of Net Assets
 June 30, 2006

Total fund balances		\$ 6,884,138
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Capital assets are not financial resources and therefore are not reported in the governmental funds:

Cost	\$ 9,297,673	
Accumulated depreciation	<u>(1,088,254)</u>	8,209,419

A portion of the accounts receivable are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.

70,651

The amount of compensated absences liability that will not be paid from resources of the current year's operations is not reported as a fund liability of the governmental funds.

(269,219)

Total net assets

\$ 14,894,989

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

Washington County Consolidated Communications Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	<u>General Fund</u>	<u>System Upgrade Capital Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,332,940			\$ 2,332,940
Intergovernmental		\$ 1,510,264		1,510,264
Investment earnings	88,272	110,929	\$ 31,975	231,176
Charges for services	5,926,018			5,926,018
Grants	129,827			129,827
Miscellaneous	55,363			55,363
Total revenues	<u>8,532,420</u>	<u>1,621,193</u>	<u>31,975</u>	<u>10,185,588</u>
EXPENDITURES				
Personal services	6,631,829		7,388	6,639,217
Materials and services	1,017,922	65,549	3,100	1,086,571
Capital outlay	154,087	822,731	13,514	990,332
Total expenditures	<u>7,803,838</u>	<u>888,280</u>	<u>24,002</u>	<u>8,716,120</u>
Excess of revenues over expenditures	<u>728,582</u>	<u>732,913</u>	<u>7,973</u>	<u>1,469,468</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,310	125,000	84,866	221,176
Transfers out	(209,866)		(11,310)	(221,176)
Total other financing sources (uses)	<u>(198,556)</u>	<u>125,000</u>	<u>73,556</u>	<u>-</u>
Net change in fund balances	<u>530,026</u>	<u>857,913</u>	<u>81,529</u>	<u>1,469,468</u>
Fund balances - July 1, 2005, as previously stated	2,106,787	2,375,721	745,137	5,227,645
Restatement	187,025	-	-	187,025
Fund balances - July 1, 2005, as restated	<u>2,293,812</u>	<u>2,375,721</u>	<u>745,137</u>	<u>5,414,670</u>
Fund balances - June 30, 2006	<u>\$ 2,823,838</u>	<u>\$ 3,233,634</u>	<u>\$ 826,666</u>	<u>\$ 6,884,138</u>

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

Washington County Consolidated Communications Agency
 Reconciliation of Statement of Revenues, Expenditures, and
 Changes in Fund Balances to Statement of Activities
 For the Year Ended June 30, 2006

Net change in fund balances	\$ 1,469,468
 The change in net assets in the Statement of Activities is different because:	
 Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,108,849) exceeds depreciation expense (\$355,640).	
	753,209
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.	57,940
Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.	9,577
Compensated absences are recognized as an expenditure in the governmental funds when they are determined to be payable from current financial resources. In the Statement of Activities, compensated absences are recognized as an expenditure when earned.	<u>19,473</u>
Change in net assets	<u><u>\$ 2,309,667</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, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,332,940	\$ 132,940
Investment earnings	18,000	18,000	88,272	70,272
Charges for services	5,890,678	5,890,678	5,926,018	35,340
Grants	250,000	250,000	129,827	(120,173)
Miscellaneous	40,000	40,000	55,363	15,363
Total revenues	8,398,678	8,398,678	8,532,420	133,742
EXPENDITURES				
Personal services	7,249,923	7,261,233	6,631,829	629,404
Materials and services	1,253,335	1,253,335	1,017,922	235,413
Capital outlay	269,600	284,600	154,087	130,513
Operating contingency	438,643	423,643		423,643
Total expenditures	9,211,501	9,222,811	7,803,838	1,418,973
Excess (deficiency) of revenues over (under) expenditures	(812,823)	(824,133)	728,582	1,552,715
OTHER FINANCING SOURCES (USES)				
Transfers in		11,310	11,310	
Transfers out	(209,866)	(209,866)	(209,866)	
Total other financing sources (uses)	(209,866)	(198,556)	(198,556)	
Net change in fund balances	(1,022,689)	(1,022,689)	530,026	1,552,715
Fund balances - July 1, 2005, as previously stated	1,454,716	1,454,716	2,106,787	652,071
Restatement	-	-	187,025	187,025
Fund balances - July 1, 2005, as restated	1,454,716	1,454,716	2,293,812	839,096
Fund balances - June 30, 2006	\$ 432,027	\$ 432,027	\$ 2,823,838	\$ 2,391,811

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
June 30, 2006

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) 190 by the execution of an intergovernmental agreement between Washington County, the cities of Beaverton, Hillsboro, Cornelius, and North Plains, Washington County Rural Fire Protection District No. 2 and Tualatin Valley Fire and Rescue. The Agency has subsequently entered into intergovernmental agreements with the cities of Durham, King City, Sherwood, Tigard, Gaston, Tualatin, Forest Grove, and Banks.

The Agency is a municipal corporation that is recognized by the participating governments as the "9-1-1 Jurisdiction" defined in ORS 401.710 to 401.790 for purposes of operating the emergency 9-1-1 telephone system. The Agreement obligates the participating governments to promptly remit emergency telephone system excise tax revenues received from the State of Oregon to the Agency. The Agency provides consolidated public safety communications services for the participating governments and for other governments under contract.

The Agreement also obligates the participating governments to fund any capital and operating 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 which the Agency has purchased or taken legal title to 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. The 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 Commission has authority to select a Director who is responsible for conducting the affairs of the Agency.

B. Government-wide and fund financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all *governmental activities* of the Agency. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are financed primarily through 9-1-1 taxes and charges for services to other governments.

The statement of activities presents a comparison between direct expenses of the Agency's public safety program and program revenues for its programs. Direct expenses are those that are specifically associated with the public safety function and, therefore, are clearly identifiable to that function.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies, continued

B. Government-wide and fund financial statements, continued

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. Investment earnings, 9-1-1 taxes, intergovernmental transfers, and miscellaneous revenue are presented 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 governmental fund financial statements use a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The governmental fund types are maintained using the modified accrual basis of accounting whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except insurance premiums benefiting more than one fiscal year are recorded when paid.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The Agency considers revenues available if they are collected within 60 days of year-end with the exception of investment interest, which is recognized when earned. Significant revenues, which are measurable and available under the modified accrual basis of accounting, are user participation fees, 9-1-1 revenues, intergovernmental revenue, and interest.

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 District, except those required to be accounted for in another fund, either legally or by Board direction. The principal revenue source is user participation fees. Primary expenditures are for public safety.
- The *System Upgrade Capital Fund*, a capital projects fund type, accounts for the accumulation of resources for construction costs of the existing facility, as well as significant capital outlays for building equipment and furniture. The principal resource is intergovernmental revenue from Washington County.

Additionally, the Agency reports the following fund types:

- *Special Revenue Funds* account for revenue sources that are either legally, or by Agency policy, restricted to expenditure for specific purposes. Funds included in this fund category are the Equipment Replacement Fund, the Facility Maintenance Fund, and the Compensated Absences Fund, which was closed out in this fiscal year.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies, continued

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

The Agency considers cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon State Treasurer's Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool are the same as the value of the pool shares.

2. Investments

Investments of the Agency are carried at fair value, which is based upon current market prices. Changes in fair value of the investments are recognized in revenue at the end of each year.

3. Receivables

Emergency telephone system excise tax, dispatch service, maintenance and interest receivables, are shown net of an allowance for uncollectible accounts. Management has determined that 9-1-1 taxes are fully collectible and therefore no allowance is deemed necessary.

4. Capital assets

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

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

Buildings and improvements	15 years
Vehicles	7 years
Furniture, fixtures, and equipment	10 years

5. Liabilities for compensated absences

Governmental funds report a liability for compensated absences only in connection with terminated employees. The amount of accumulated vacation and personal leave, including associated payroll taxes and retirement contributions, that is payable from future resources is recorded in the government-wide financial statements. Accumulated sick leave does not vest and is, therefore, recorded when leave is taken.

E. Participation fees and intergovernmental revenues

1. Participation fees

The Agency charges the participating governments of the Intergovernmental Agreement an amount sufficient to cover budgeted expenditures less anticipated revenues from other sources.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies, continued

E. Participation fees and intergovernmental revenues, continued

2. Intergovernmental transfer

By ORS law, the Agency is not allowed to incur debt. Washington County, who currently owns the facility, passed a local option levy on the Agency's behalf for facility improvements and also for capital equipment and furniture for the facility. Amounts paid to the Agency by the County are recorded as intergovernmental revenues.

II. Stewardship, compliance, and accountability

A. Budgetary information

The Agency budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified accrual basis of accounting.

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). The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, and other expenditures for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the above mentioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. A supplemental budget less than 10% of the fund's original budget may be adopted by the Board at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in the newspaper, and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Commissioners. The Agency had two appropriation transfers during the year ended June 30, 2006. Appropriations lapse at fiscal year end.

III. Detailed notes on all funds

A. Cash, cash equivalents, and investments

The Agency maintains separate accountability by fund for cash, cash equivalents, 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, cash equivalents, and investments at June 30, 2006, were comprised of the following:

Petty cash	\$ 200
Deposits with financial institutions	280,341
Oregon Local Government Investment Pool	6,455,416
Total pooled cash and investments	<u>\$ 6,735,957</u>

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

III. Detailed notes on all funds, continued

A. Cash, cash equivalents, and investments, continued

1. Deposits with financial institutions

Deposits with financial institutions include bank demand deposits. The total carrying amount of deposits at June 30, 2006, was \$280,341. The total bank balance per the bank statements was \$322,603. Of these deposits, \$100,000 was covered by federal depository insurance and the remaining \$222,603 was collateralized by securities held by financial institutions acting as the agents for the Agency in the Agency's name. There were no known violations of legal or contractual provisions for deposits.

Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

2. Interest rate risk

As a means 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 will have maturities not to exceed 18 months. Certain agency funds may be available for longer investment periods, up to 36 months. The Agency did not have any investments as of June 30, 2006.

3. Credit Risk

The Oregon 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 96% of the portfolio at June 30, 2006.

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 had 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. 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 no investments as of June 30, 2006.

4. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of a 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, 2006, the Agency did not have any investments, thus they were not exposed to custodial credit risk.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

III. Detailed notes on all funds, continued

B. Capital assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental activities:			
Capital assets, not being depreciated:			
Construction in progress	\$ 4,392,690	\$ 930,185	\$ 5,322,875
Total capital assets, not being depreciated	<u>4,392,690</u>	<u>930,185</u>	<u>5,322,875</u>
Capital assets, being depreciated:			
Buildings and improvements	1,398,224		1,398,224
Vehicles	139,810	166,650	306,460
Furniture, fixtures and equipment	2,258,100	12,014	2,270,114
Total capital assets, being depreciated	<u>3,796,134</u>	<u>178,664</u>	<u>3,974,798</u>
Less accumulated depreciation for:			
Buildings and improvements	(132,516)	(93,215)	(225,731)
Vehicles	(71,651)	(36,415)	(108,066)
Furniture, fixtures and equipment	(528,447)	(226,010)	(754,457)
Total accumulated depreciation	<u>(732,614)</u>	<u>(355,640)</u>	<u>(1,088,254)</u>
Total capital assets being depreciated, net	<u>3,063,520</u>	<u>(176,976)</u>	<u>2,886,544</u>
Total capital assets, net	<u>\$ 7,456,210</u>	<u>\$ 753,209</u>	<u>\$ 8,209,419</u>

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.

C. Interfund receivables, payables, and transfers

An interfund receivable of \$82 was recorded in the General Fund payable from the System Upgrade Capital Fund. These payables are for reimbursement of site development at the 9-1-1 center.

Interfund transfers for the year ended June 30, 2006 are as follows:

	<u>Transfers in</u>				<u>Total</u>
	<u>Other Governmental Funds</u>				
<u>Transfers out</u>	<u>General Fund</u>	<u>System Upgrade Capital Fund</u>	<u>Equipment Replacement Fund</u>	<u>Facility Maintenance Fund</u>	
General Fund		\$ 125,000	\$ 50,000	\$ 34,866	\$ 209,866
Compensated Absences Fund	\$ 11,310				11,310
Total	<u>\$ 11,310</u>	<u>\$ 125,000</u>	<u>\$ 50,000</u>	<u>\$ 34,866</u>	<u>\$ 221,176</u>

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

III. Detailed notes on all funds, continued

C. Interfund receivables, payables, and transfers, continued

The Agency made transfers from the General Fund to the System Upgrade Capital Fund to fund upgrades at the 9-1-1 center.

D. Compensated absences

Compensated absences activity for the year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental activities:				
Compensated absences	\$ 337,548	\$ 481,757	\$ (501,229)	\$ 318,076

It is the Agency's policy to permit employees to accumulate earned but unused sick leave and vacation pay benefits. There is no liability recorded for unpaid accumulated sick leave, since the Agency does not have a policy to pay out those amounts when employees separate from service. A liability for all other leave amounts is reported in the governmental fund only in connection with terminated employees. The entire balance, generally utilized within one year, is reported on the Statement of Net Assets.

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. The amount deferred since the inception of the plan and interest earnings thereon totaled \$1,189,360 at June 30, 2006.

C. Employee retirement systems and pension plans

Oregon Public Employees Retirement System (PERS) and Oregon Public Service Retirement Plan (OPSRP)

The Oregon Public Employees Retirement Systems (PERS or "the System") provides a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. For state agencies, community colleges, school

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

IV. Other information, continued

C. Employee retirement systems and pension plans, continued

districts, and political subdivisions who have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. On August 29, 2003, the Oregon Governor signed into law House Bill 2020 which created a new Oregon Public Service Retirement Plan (OPSRP) beginning January 1, 2004. The plan includes two components, the pension program and an individual account program. Assets of these accounts are held separately from PERS ORS 238 assets. The plan is administered by the PERS board under ORS 238A and contributions for PERS and OPSRP are made to PERS.

The Plan offers retirement and disability benefits, post employment healthcare benefits, annual cost of living increases, and death benefits to Plan members and beneficiaries. Benefits differ depending upon employee entry date. PERS and OPSRP established by state statutes to provide benefits for state and local governments and their employees. PERS is administered under Oregon Oregon Revised Statute Chapter 238. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. ORS Chapter 238.620 and 238A.005(3) establishes the Public Employees Retirement Board as the governing body of PERS and OPSRP. The Board has the authority under state statutes to amend the Plan's benefits and contribution rates. PERS issues publicly available financial reports that include financial statements and required supplementary information. The reports can be obtained from the Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-7377. The required employee contribution of 6% of covered payroll or \$271,317, was contributed by the employees as a result of the collective bargaining agreement. Prior to December 31, 2003, the employee's 6% contribution was made to the PERS ORS 238 system. Effective January 1, 2004, this same 6% contribution was required to be made to the Individual Account Program for all eligible employees under the ORS 238A OPSRP system. The Agency also contributes the remaining amounts necessary to pay benefits when due. For 2006, the Agency's annual pension cost of approximately \$598,293 was equal to the Agency's required and actual contributions. The Agency is required by ORS 238.225 to contribute at an actuarially determined rate. The employer rate for 2005-06 was 13.90% of salary covered under the plan for 70 employees, and was determined as part of the December 31, 2001, actuarial valuation using the entry age cost method. For OPSRP employees, the Agency is required to remit contributions based on the employee class which is 8.04% for general service employees. These rates were adopted by the PERS Board based on actuarial information regarding projected costs of the new plan.

Three-Year Trend Information for PERS and OPSRP:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$598,293	100%	-
2005	386,837	100	-
2004	359,780	100	-

Two major changes in the employer contributions area occurred between the 1999 and the 2001 actuarial evaluation. The state legislature allowed local governments the opportunity to join a larger risk pool by electing to participate in a Local Government Rate Pool (LGRP) as of January 1, 2000. The legislature further expanded this opportunity by creating a State and Local Government Rate Pool (SLGRP) effective January 1, 2002. The Agency elected to join these risk pools. The impact of both of these pools is reflected in the Agency's individual contribution rate determined by the 2001 actuarial evaluation and made effective in fiscal year 2004. In addition, due to the election by the Agency to join these pools beginning with the 2001 evaluation, individual entity data on the actuarial

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

IV. Other information, continued

C. Employee retirement systems and pension plans, continued

value of assets, and the actuarial accrued liability is unavailable. The actuarial valuation for the plan as of December 31, 2005 is not yet available for disclosure.

D. Debt Restriction

When WCCCA was created, it was prohibited from incurring debt. In fiscal year 2000-2001, WCCCA entered into an intergovernmental agreement with Washington County in order to purchase equipment. This agreement stated that the County would issue bonds on behalf of WCCCA, and that the County would use monies from the November, 2000, community safety local option levy to pay for the debt service requirements and additional monies would be used for continued capital equipment and improvements. The equipment is the property of WCCCA. The proceeds from this levy are the intergovernmental revenues in the System Upgrade Capital Fund.

E. Operating Leases

The Agency leases real properties and easement access under non-cancelable operating leases. The future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2007	\$ 43,000
2008	28,000
2009	15,000
2010	15,000
2011	16,000
Total	<u>\$ 117,000</u>

The expense for operating leases for the year ended June 30, 2006 was approximately \$40,000.

F. Related party transactions

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 by some of these participating governments. These transactions are summarized as follows:

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2006

IV. Other information, continued

F. Related party transactions, continued

Revenues

Participants:	Fees	Taxes	Contracts	Maintenance	Totals
Washington County	\$ 1,317,144	\$ 990,125		\$ 13,538	\$ 2,320,807
Tualatin Valley Fire and Rescue	1,086,514			10,282	1,096,796
City of Hillsboro	1,005,033	398,901		7,576	1,411,510
City of Beaverton	738,469	401,576		11,246	1,151,291
City of Tigard	387,738	164,485		1,843	554,066
City of Forest Grove	220,259	96,617		1,461	317,337
City of Tualatin	214,499	124,310		1,037	339,846
City of Sherwood	121,403	71,278		578	193,259
City of Cornelius	104,283	50,855		1,685	156,823
Washington Co. Fire District #2	47,857				47,857
City of Banks	27,420	7,087		1,007	35,514
City of Gaston	19,530	3,085		714	23,329
City of King City	15,805	10,445			26,250
City of Durham	10,091	6,925			17,016
City of North Plains	9,520	8,251		1,309	19,080
Clean Water Services	27,957			962	28,919
Clackamas County Fire District #1				4,568	4,568
Clackamas County 800 Radio Group			\$ 383,068	3,667	386,735
Clackamas County				8,738	8,738
Lake Oswego				4,727	4,727
Miscellaneous	51,780			13,104	64,884
	<u>\$ 5,405,302</u>	<u>\$ 2,332,940</u>	<u>\$ 383,068</u>	<u>\$ 88,042</u>	<u>\$ 8,209,352</u>

During the year ended June 30, 2006 WCCCA received federal awards as pass through grants from TVFR in the amount of \$129,827.

Expenditures

During the year ended June 30, 2006, the Agency paid Tualatin Valley Fire & Rescue, a rural fire protection district, \$48,950 for accounting services, \$5,040 for contracted medical director services, and \$620 for vehicle and building maintenance services.

The Agency has a lease agreement with Washington County for the central dispatch facility. The lease requires payment of one dollar per year and expires on October 1, 2006 with automatic 5-year extensions and it was renewed through 2011.

G. Restatement

A restatement of beginning net assets was made during the fiscal year ended June 30, 2006. Grant revenues totaling \$187,025 should have been recorded in the General Fund for the fiscal year ended June 30, 2005.

H. Commitments and contingencies

WCCCA has remaining commitments for microwave and radio site construction contracts of approximately \$2,028,000 as of June 30, 2006. The Agency receives a significant portion of its funding through 9-1-1 taxes under a law scheduled to sunset in 2007. While management expects the funding source to be renewed and continue indefinitely, the loss of these revenues would have a significant financial impact on the Agency's operations.

Supplemental Information

Major Governmental Fund

Capital Projects Fund

System Upgrade Capital Fund – accounts for capital improvements and equipment purchases made for the radio system for the Agency.

Nonmajor Governmental Funds

Special Revenue Funds

These funds account for the accumulation of resources for particular activities or functions from designated sources. Funds included in this fund category are:

Equipment Replacement Fund - accounts for the accumulation of resources for computers, office, and other equipment not directly part of the radio system.

Facility Maintenance Fund - accounts for the accumulation of resources for capital improvements and emergency repairs to the building.

Compensated Absence Fund - accounts for the accumulation of resources used to offset the Agency's liability for accrued leave. This fund was closed during this fiscal year.

Washington County Consolidated Communications Agency
System Upgrade Capital Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,510,264	\$ 1,510,264	
Investment earnings	15,000	110,929	\$ 95,929
Total revenues	<u>1,525,264</u>	<u>1,621,193</u>	<u>95,929</u>
EXPENDITURES			
Materials and services	100,000	65,549	34,451
Capital outlay	3,306,739	822,731	2,484,008
Total expenditures	<u>3,406,739</u>	<u>888,280</u>	<u>2,518,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,881,475)</u>	<u>732,913</u>	<u>2,614,388</u>
OTHER FINANCING SOURCES			
Transfers in	125,000	125,000	
Total other financing sources	<u>125,000</u>	<u>125,000</u>	
Net change in fund balances	(1,756,475)	857,913	2,614,388
Fund balances - July 1, 2005	1,756,475	2,375,721	619,246
Fund balances - June 30, 2006	<u>\$ -</u>	<u>\$ 3,233,634</u>	<u>\$ 3,233,634</u>

Washington County Consolidated Communications Agency
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<i>Special Revenue Fund Types</i>		
	Equipment Replacement Fund	Facility Maintenance Fund	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 567,660	\$ 259,006	\$ 826,666
Total assets	<u>\$ 567,660</u>	<u>\$ 259,006</u>	<u>\$ 826,666</u>
FUND BLANCES			
Unreserved, reported in:			
Special revenue funds	\$ 567,660	\$ 259,006	\$ 826,666
Total fund balances	<u>567,660</u>	<u>259,006</u>	<u>826,666</u>
Total fund balances	<u>\$ 567,660</u>	<u>\$ 259,006</u>	<u>\$ 826,666</u>

Washington County Consolidated Communications Agency
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2006

	<i>Special Revenue Fund Types</i>			
	<u>Equipment Replacement Fund</u>	<u>Facility Maintenance Fund</u>	<u>Compensated Absence Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Investment earnings	\$ 21,891	\$ 9,624	\$ 460	\$ 31,975
Total revenues	<u>21,891</u>	<u>9,624</u>	<u>460</u>	<u>31,975</u>
EXPENDITURES				
Public safety		3,100	7,388	10,488
Capital outlay	13,514			13,514
Total expenditures	<u>13,514</u>	<u>3,100</u>	<u>7,388</u>	<u>24,002</u>
Excess (deficiency) of revenues over (under) expenditures	8,377	6,524	(6,928)	7,973
OTHER FINANCING SOURCES				
Transfers in	50,000	34,866		84,866
Transfers out			(11,310)	(11,310)
Total other financing sources	<u>50,000</u>	<u>34,866</u>	<u>(11,310)</u>	<u>73,556</u>
Net change in fund balances	58,377	41,390	(18,238)	81,529
Fund balances - July 1, 2005	509,283	217,616	18,238	745,137
Fund balances - June 30, 2006	<u>\$ 567,660</u>	<u>\$ 259,006</u>	<u>\$ -</u>	<u>\$ 826,666</u>

Washington County Consolidated Communications Agency
Equipment Replacement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 7,000	\$ 21,891	\$ 14,891
Total revenues	<u>7,000</u>	<u>21,891</u>	<u>14,891</u>
EXPENDITURES			
Capital outlay	175,000	13,514	161,486
Total expenditures	<u>175,000</u>	<u>13,514</u>	<u>161,486</u>
Excess (deficiency) of revenues over (under) expenditures	(168,000)	8,377	176,377
OTHER FINANCING SOURCE			
Transfers in	50,000	50,000	
Total other financing source	<u>50,000</u>	<u>50,000</u>	
Net change in fund balances	(118,000)	58,377	176,377
Fund balances - July 1, 2005	465,418	509,283	43,865
Fund balances - June 30, 2006	<u>\$ 347,418</u>	<u>\$ 567,660</u>	<u>\$ 220,242</u>

Washington County Consolidated Communications Agency
Facility Maintenance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment earnings	\$ 4,500	\$ 9,624	\$ 5,124
Total revenues	<u>4,500</u>	<u>9,624</u>	<u>5,124</u>
EXPENDITURES			
Materials and services	50,000	3,100	46,900
Total expenditures	<u>50,000</u>	<u>3,100</u>	<u>46,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,500)</u>	<u>6,524</u>	<u>52,024</u>
OTHER FINANCING SOURCE			
Transfers in	34,866	34,866	
Total other financing source	<u>34,866</u>	<u>34,866</u>	
Net change in fund balances	(10,634)	41,390	52,024
Fund balances - July 1, 2005	164,698	217,616	52,918
Fund balances - June 30, 2006	<u>\$ 154,064</u>	<u>\$ 259,006</u>	<u>\$ 104,942</u>

Washington County Consolidated Communications Agency
 Compensated Absence Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2006

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 300	\$ 880	\$ 460	\$ (420)
Total revenues	<u>300</u>	<u>880</u>	<u>460</u>	<u>(420)</u>
EXPENDITURES				
Personal services	<u>10,000</u>	<u>7,388</u>	<u>7,388</u>	<u>-</u>
Total expenditures	<u>10,000</u>	<u>7,388</u>	<u>7,388</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(9,700)	(6,508)	(6,928)	(420)
OTHER FINANCING SOURCES				
Transfers out		<u>(11,310)</u>	<u>(11,310)</u>	
Total other financing sources		<u>(11,310)</u>	<u>(11,310)</u>	
Net change in fund balances	(9,700)	(17,818)	(18,238)	(420)
Fund balances - July 1, 2005	<u>17,818</u>	<u>17,818</u>	<u>18,238</u>	<u>420</u>
Fund balances - June 30, 2006	<u>\$ 8,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 required supplementary information says about the Agency's overall financial health.

Contents	Page
Financial Trends	33
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	37
These schedules contain information to help the reader assess the Agency's most significant local revenue source, the 9-1-1 tax.	
Demographic and Economic Information	38
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	39
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. The Agency implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year. The Agency has implemented GASB Statement 44 with this report.	

Washington County Consolidated Communications Agency
Net Assets by Component
Last Three Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2004	2005 Restated	2006
Governmental Activities:			
Invested in capital assets	\$ 4,995,156	\$ 7,456,210	\$ 8,209,419
Restricted	2,421,174	2,393,959	3,233,634
Unrestricted	2,309,195	2,735,153	3,451,936
Total primary government net assets	<u>\$ 9,725,525</u>	<u>\$ 12,585,322</u>	<u>\$ 14,894,989</u>

Washington County Consolidated Communications Agency
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2004	2005 Restated	2006
EXPENSES			
Governmental activities:			
Public safety - dispatch service	\$ 7,205,969	\$ 7,454,683	\$ 8,110,088
Total expenses	<u>7,205,969</u>	<u>7,454,683</u>	<u>8,110,088</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services	5,275,929	5,648,971	5,935,009
Operating grants and contributions	134,517	790,774	129,827
Capital grants and contributions			166,650
Total program revenues	<u>5,410,446</u>	<u>6,439,745</u>	<u>6,231,486</u>
NET (EXPENSE)/REVENUE	<u>(1,795,523)</u>	<u>(1,014,938)</u>	<u>(1,878,602)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
9-1-1 taxes	2,206,420	2,231,608	2,390,880
Investment earnings	80,683	102,825	231,176
Proceeds from levy	1,510,264	1,510,264	1,510,264
Miscellaneous	54,894	30,038	55,949
Total general revenues and other changes in net assets	<u>3,852,261</u>	<u>3,874,735</u>	<u>4,188,269</u>
CHANGE IN NET ASSETS	<u>\$ 2,056,738</u>	<u>\$ 2,859,797</u>	<u>\$ 2,309,667</u>

Washington County Consolidated Communications Agency
Fund Balances, Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2004	2005 Restated	2006
GENERAL FUND			
Unreserved	\$ 1,702,637	\$ 2,293,812	\$ 2,823,838
Total general fund	<u>\$ 1,702,637</u>	<u>\$ 2,293,812</u>	<u>\$ 2,823,838</u>
ALL OTHER GOVERNMENTAL FUNDS			
Unreserved, reported in			
Special revenue funds	\$ 826,568	\$ 745,137	\$ 826,666
Capital projects funds	2,403,356	2,375,721	3,233,634
Total all other governmental funds	<u>\$ 3,229,924</u>	<u>\$ 3,120,858</u>	<u>\$ 4,060,300</u>

Washington County Consolidated Communications Agency
Changes in Fund Balances, Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2004	2005 Restated	2006
REVENUES			
Taxes	\$ 2,179,044	\$ 2,258,983	\$ 2,332,940
Intergovernmental		1,510,264	1,510,264
Investment earnings	80,683	102,825	231,176
Charges for services	5,328,466	5,656,359	5,926,018
Grants	134,517	790,774	129,827
Miscellaneous	54,894	30,038	55,363
Total revenues	<u>7,777,604</u>	<u>10,349,243</u>	<u>10,185,588</u>
EXPENDITURES			
Current			
Public safety	6,705,450	7,128,202	7,725,788
Capital outlay	2,938,057	2,738,932	990,332
Total expenditures	<u>9,643,507</u>	<u>9,867,134</u>	<u>8,716,120</u>
over (under) expenditures	<u>(1,865,903)</u>	<u>482,109</u>	<u>1,469,468</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Levy	1,510,264		
Transfers in	124,245	809,562	221,176
Transfers out	(124,245)	(809,562)	(221,176)
Total other financing sources (uses)	<u>1,510,264</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (355,639)</u>	<u>\$ 482,109</u>	<u>\$ 1,469,468</u>

Washington County Consolidated Communications Agency
Principal Contract Revenue Payers
Last Ten Fiscal Years

Fiscal Year	Total	Washington County										Washington County Fire District #2		City of King City		City of Durham		City of North Plains		Other
		Washington County	Tualatin Valley Fire and Rescue	City of Hillsboro	Beaverton	City of Tigard	City of Forest Grove	City of Tualatin	City of Sherwood	City of Cornelius	Washington County Fire District #2	City of Banks	City of Gaston	City of King City	City of Durham	City of North Plains	Other			
2006	\$ 5,405,302	\$ 1,317,144	\$ 1,086,514	\$ 1,005,033	\$ 738,469	\$ 387,738	\$ 220,259	\$ 214,499	\$ 121,403	\$ 104,283	\$ 47,857	\$ 27,420	\$ 19,530	\$ 15,805	\$ 10,091	\$ 9,520	\$ 79,737			
2005	5,167,078	1,256,277	1,056,977	948,092	699,611	369,804	209,455	202,725	114,479	99,067	46,928	26,887	19,151	15,498	9,895	9,335	82,897			
2004	4,830,254	1,174,841	943,525	895,246	659,664	348,662	195,362	190,783	100,947	92,694	45,110	25,845	18,409	14,898	9,512	8,973	105,783			
2003	4,327,296	1,046,821	915,288	782,835	582,664	296,934	169,488	161,920	85,078	79,098	45,002	25,097	17,873	14,464	9,235	8,712	86,787			
2002	4,066,256	1,075,614	863,767	664,466	574,426	280,674	81,434	152,779	72,453	89,407	46,121	24,367	18,518	15,840	10,405	12,127	83,858			
2001	3,842,686	1,015,361	827,617	624,093	497,391	262,990	77,345	149,473	67,313	86,857	44,778	19,123	18,599	15,643	10,267	12,646	113,190			
2000	3,787,702	1,003,723	828,826	602,592	535,773	266,639	77,444	146,485	59,538	87,089	47,186	18,651	17,945	16,197	10,750	12,639	56,225			
1999	3,144,549	804,560	696,184	488,016	451,911	224,940	68,076	124,296	41,684	80,386	41,126	16,221	16,773	14,114	9,172	14,220	52,870			
1998	2,997,598	767,752	675,442	473,280	411,039	224,776	65,758	118,847	34,679	83,027	42,197	19,124	18,521	14,627	8,975	10,130	29,424			
1997	3,281,960	874,714	733,063	512,007	428,805	251,358	72,988	128,653	35,722	87,478	47,973	23,460	20,883	17,096	8,666	11,325	27,769			

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

Washington County Consolidated Communications Agency
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Per Capita Income (Washington County) ⁽²⁾	Total Personal Income (Washington County) (in thousands) ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate (%) (Washington County) ⁽²⁾
2006	531,920	\$ 33,347	\$ 17,737,936	79,016	4.5 %
2005	505,200	33,000	16,671,600	52,034	5.8
2004	472,600	32,000	15,123,200	50,822	6.5
2003	472,015	32,000	15,104,480	50,906	7.0
2002	455,800	32,000	14,585,600	47,985	5.9
2001	449,250	33,000	14,825,250	48,040	3.1
2000	404,750	31,000	12,547,250	45,776	3.3
1999	431,300	30,621	13,206,837	45,320	4.0
1998	431,000	28,490	12,279,190	43,604	3.8
1997	430,225	27,309	11,749,015	43,170	3.8

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

N/A Information unavailable at time of printing.

Sources: Estimated from information provided by

⁽¹⁾ State of Oregon.

⁽²⁾ State of Oregon Employment Division, Research Dept.

⁽³⁾ Washington County Department of Assessment and Taxation.

⁽⁴⁾ Beaverton School District No. 48 and Washington County School District Nos. 23J and 88.

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

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Dispatchers	50.0	50.0	50.0	48.0	45.0	54.5	53.0	54.0	62.5	59.0
Operations Supervisors	4.0	5.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Computer/Resource Support	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	2.0	2.0
Technical Support	4.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0	6.0	6.0
Administration and other	4.8	4.8	4.8	5.8	6.0	7.4	7.9	7.0	7.0	7.4
Total	64.8	65.8	64.8	64.8	62.0	73.9	71.9	73.0	82.5	79.4

Washington County Consolidated Communications Agency
 Operating Indicators by Function
 Last Ten Fiscal Years

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
Public Safety - dispatch service										
9-1-1 Calls	127,863	158,190	182,637	181,229	186,947	177,267	189,510	175,493	181,643	153,822
7 Digit In Calls	290,618	406,224	340,692	271,216	250,756	240,762	246,110	248,020	252,337	212,580

*Estimate only

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

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety:										
Equipment:										
Communications Network	2	2	2	2	2	2	2	2	2	2
Radio Towers	6	6	6	6	6	6	6	6	6	6
Radios, mobile and portable						3,953	5,713	6,110	6,430	

**Audit Comments and Disclosures
Required by State Regulations Section**

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

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



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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

November 22, 2006

Board of Directors
Washington County Consolidated Communications Agency
Aloha, Oregon

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County Consolidated Communications Agency (the Agency), as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

ACCOUNTING RECORDS

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

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

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ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated that collateral was sufficient during the year ended June 30, 2006.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2006, the Agency was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The Agency had no outstanding bonded debt for the year ended June 30, 2006.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the Agency's insurance and fidelity bond coverage at June 30, 2006. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering Agency-owned property at June 30, 2006.

PUBLIC CONTRACTS

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

OTHER

The following audit comments and disclosures do not apply to the Agency:

- Local budget law
- Programs funded from outside sources
- Financial reporting requirements
- Highway funds

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

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Roger A. Korvola, Partner