

# Washington County Consolidated Communications Agency

## Comprehensive Annual Financial Report

For the fiscal year ended  
June 30, 2007

Prepared by:  
Administration Department

### AUDITS MUNICIPALITIES

	Date	Initial
Rec'd	12-21-07	smc
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Comments		

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Paul A. Pedersen, Jr. Director

**Washington County Consolidated Communications Agency**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2007

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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 is in the process of strategic planning. In this process, the mission statement is under review, as are the Agency's goal statements. As of the date of the financial statements, the established 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 have been stated as follows:

- 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 between population served and the number of public safety calls and the amount of Agency dispatch services required. 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 9-1-1 telephone excise taxes levied by the State of Oregon. 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 and voice over internet protocol (VoIP), which have access to 9-1-1. Revenues from this excise tax have been increasing due to the County's population growth and the increases in the number of all telephone devices. During the 2007 legislative session, House Bill 2369 was passed extending the 9-1-1 excise tax to December 31, 2014.

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 fill vacant positions with pre-qualified candidates more quickly. 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 2007, for a total of 58.4 dispatchers out of a budgeted 64.5 full-time employees. Staff is working to increase the number of coaches available to train newly hired dispatchers.

Staff has continued implementation of the public safety levy supported projects, including the construction of the radio system infrastructure afforded by the levy. After extensive research, staff identified the radio tower sites and configurations that would provide optimum radio coverage for user agencies, acquired access and has proceeded with construction of 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 allowed those projects to be completed in 2006-07. This award has enabled 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 funded software to better track and report on resources in the field, and provided a vehicle to tow a mobile repeater unit procured in a prior Homeland Security grant.

Agency staff continued an active role in the Urban Area Strategic Initiative as a member of the 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.

### **For the Year and For the Future**

The Nextel Rebanding project will be one of the largest projects for WCCCA's Technical staff in 2007 and 2008. 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.

# 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, 2006

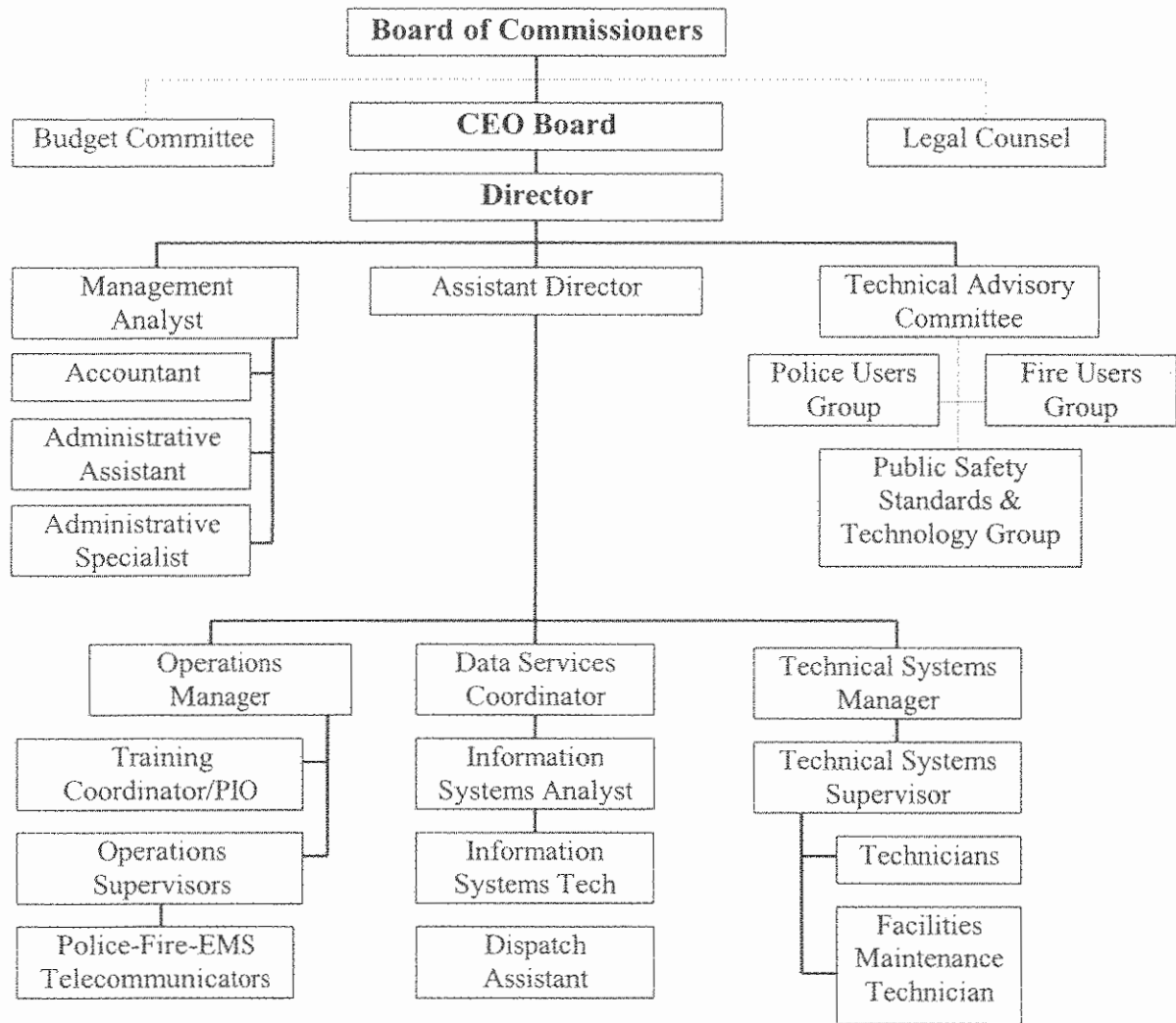
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# Washington County Consolidated Communications Agency Organizational Chart



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

# Financial Section



*Talbot, Korvola & Warwick* [LLP]  
*Certified Public Accountants & Consultants*

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## INDEPENDENT AUDITOR'S REPORT

December 6, 2007

Board of Directors  
Washington County Consolidated Communications Agency  
Beaverton, 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, 2007, 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, 2007, 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 16 through 21 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.



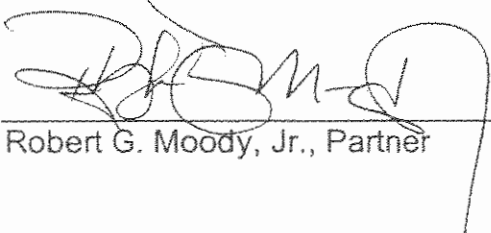
**INDEPENDENT AUDITOR'S REPORT (Continued)**

Board of Directors  
Washington County Consolidated Communications Agency  
Beaverton, 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 41 through 49 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   
Robert G. Moody, Jr., Partner

**Washington County Consolidated Communications Agency**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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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, 2007. 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 3-7 of this report.

### **Financial Highlights**

- In the government-wide financial statements, the assets of the Agency exceeded its liabilities at June 30, 2007, by \$15,149,220 (*net assets*). Of this amount, \$8,737,458 represents the Agency's investment in capital assets; \$2,237,105 is restricted for facility improvements and equipment, and the balance of \$4,174,657 (*unrestricted net assets*) may be used to meet the Agency's ongoing obligations to participating governments and creditors.
- The Agency's total net assets increased by \$397,074, reduced by a prior year adjustment of \$142,843, for a total of \$254,231. The increase is due primarily to the increase in emergency telephone system excise tax revenue over the prior year.
- As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$6,741,576, a decrease of \$142,562 in comparison with the prior year. Approximately half of this total amount, \$3,559,737, is available in the General Fund for spending at the Agency's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3,559,737 or 43 percent of total general fund expenditures.
- By State of Oregon revised statutes, the Agency is not allowed to incur debt. During the fiscal year, Washington County (which currently owns the facility) passed a local option levy on the Agency's behalf for computer technology capital improvements. Funding from this local option levy will occur in the ensuing fiscal year.

### **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 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).

**Washington County Consolidated Communications Agency**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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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 24 and 25 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 governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide reconciliations to facilitate the comparison to the government-wide *Statement of Net Assets* and *Statement of Activities*, respectively.

The Agency maintains four 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 two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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.

The basic governmental fund financial statements can be found on pages 26 and 28 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 31 - 39 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and individual fund statements and schedules can be found on pages 45 - 49 of this report. The Statistical Section can be found beginning on page 53 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 \$15,149,220 at June 30, 2007.

**Washington County Consolidated Communications Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

The largest portion of the Agency's net assets (58 percent) reflects its investment in capital assets (e.g. communications towers and equipment, building improvements, furniture and fixtures). The Agency uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Net assets invested in capital assets is to be reported net of related debt; this Agency, however, has no debt.

<b>Net Assets</b>	<b>Governmental Activities</b>		<b>Increase (Decrease) from 2006</b>
	<b>2007</b>	<b>2006 Restated</b>	
Current and other assets	\$ 7,136,769	\$ 7,399,382	\$ (262,613)
Capital assets	8,737,458	8,066,576	670,882
Total assets	<u>15,874,227</u>	<u>15,465,958</u>	408,269
Current Liabilities	<u>725,007</u>	<u>713,812</u>	11,195
Net assets:			
Invested in capital assets, net of related debt	8,737,458	8,066,576	670,882
Restricted for capital projects	2,237,105	3,233,634	(996,529)
Unrestricted	4,174,657	3,451,936	722,721
Total net assets	<u>\$15,149,220</u>	<u>\$14,752,146</u>	<u>\$ 397,074</u>

An additional portion of the Agency's net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,174,657) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Agency is able to report positive balances in all three categories of net assets. The same is true for the prior fiscal year.

There was a decrease of \$996,529 in restricted net assets relative to the prior year. This is a result of resources being used during the fiscal year for capital construction and related equipment and services, the purposes for which the resources were restricted.

Current and other 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. Current liabilities of the Agency consist of accounts payable, salaries and benefits payable, and accrued compensated absences. The Agency's largest liability (51 percent) is for accrued compensated absences.

**Governmental activities.** Governmental activities, which represent all of the Agency's activities, increased net assets by \$397,074. This amount was reduced by a prior period adjustment of \$142,843 for a duplicated asset record in capital assets, for a total increase in net assets of \$254,231.

The Agency's intergovernmental revenue from a participating government's tax levy declined to zero in the current year as the underlying tax levy expired. Although charges for services, 9-1-1 telephone excise tax revenue, and interest earnings increased over the prior year, the rate of growth in operating expenses exceeded the rate of increases in these revenues, resulting in a diminished overall increase in net assets in comparison to the prior year. This was as planned in the budget process. Expenditures were less than anticipated and the planned reduction in net assets during the fiscal year did not materialize, primarily due to high vacancy rates in Agency staff positions.

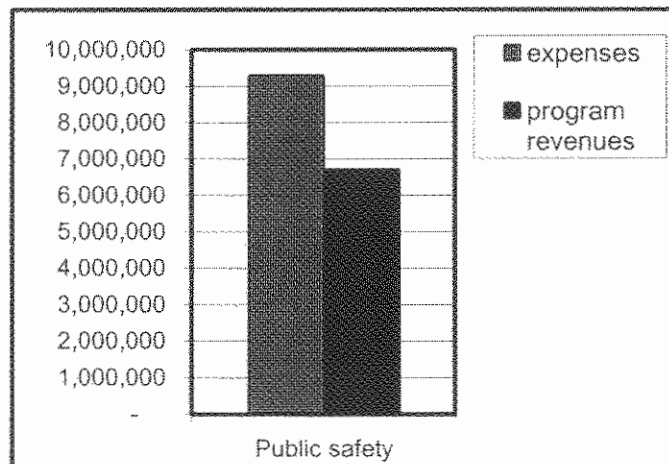
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Key elements of the increase in net assets for the Agency are as follows:

<b>Changes in Net Assets</b>	<b>Governmental Activities</b>		<b>Increase (Decrease) from 2006</b>
	<b>2007</b>	<b>2006 Restated</b>	
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 6,246,744	\$ 5,935,009	\$ 311,735
Operating grants and contributions	208,614	129,827	78,787
Capital grants and contributions	257,164		257,164
<b>General revenues:</b>			
9-1-1 taxes	2,634,950	2,390,880	244,070
Earnings on investments	316,355	231,176	85,179
Proceeds from levy (intergovernmental)		1,510,264	(1,510,264)
Other	35,750	55,949	(20,199)
<b>Total revenues</b>	<u>9,699,577</u>	<u>10,253,105</u>	<u>(553,528)</u>
<b>Expenses:</b>			
Public safety	9,302,503	8,086,281	1,216,222
<b>Total expenses</b>	<u>9,302,503</u>	<u>8,086,281</u>	<u>1,216,222</u>
<b>Increase in net assets</b>	397,074	2,166,824	(1,769,750)
Net assets - July 1, as restated	14,752,146	12,585,322	2,166,824
Net assets - June 30	<u>\$ 15,149,220</u>	<u>\$ 14,752,146</u>	<u>\$ 397,074</u>

**Expenses and Program Revenues – Governmental Activities**

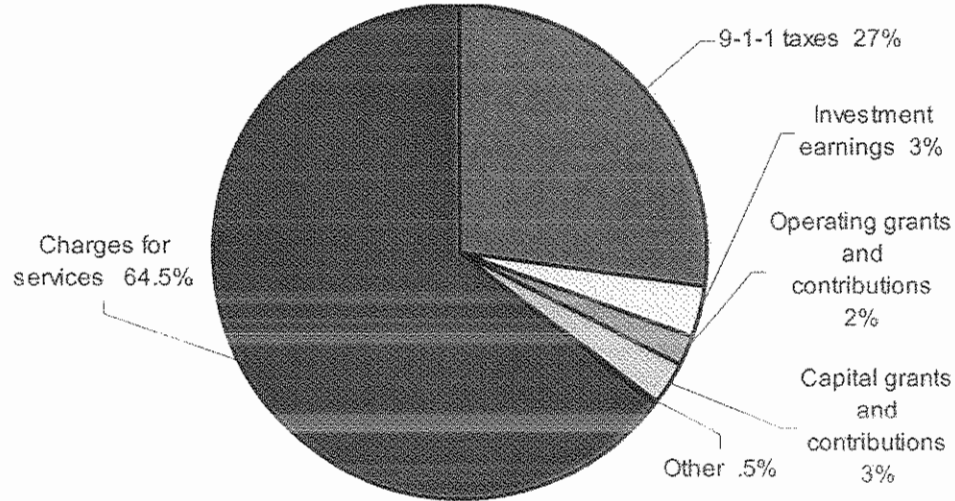
*For the year ended June 30, 2007*



**Washington County Consolidated Communications Agency**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

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**Revenues by Source – Governmental Activities**



**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 near-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, 2007, the Agency's governmental funds reported combined ending fund balances of \$6,741,576 a decrease of \$142,562 in comparison with the prior year. The total amount (100 percent) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion.

*General Fund.* The general fund is the operating fund of the Agency. At the end of the current fiscal year, 100 percent of the general fund balance was unreserved and undesignated. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total, unreserved fund balance represents 43 percent of total general fund expenditures.

The fund balance of the Agency's general fund increased by \$735,899 during the current fiscal year. Key factors in this growth are as follows:

- The 9-1-1 telephone excise tax increased nearly 14%, due entirely to population growth and the increased number of telephones;
- The participating governments' charges for services increased by 6%, as planned, for increases due to inflation, particularly for personal services;
- Expenditures for personal services were less than planned for the fiscal year due to the relatively high rate of vacancies in the dispatcher positions.

*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 communications towers and associated equipment. By the end of the fiscal year at June 30, 2007, the ending fund balance of the System Upgrade Capital Fund had declined to \$2,237,105, a decrease of \$996,529 in comparison to the prior fiscal year end. This decrease is due to expenditures for

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

communications tower construction and technology upgrades to several existing sites for expanded functionality. This construction and upgrade of the communications system was funded by a tax levy over the prior five fiscal years.

**General Fund Budgetary Highlights**

During the fiscal year there was a \$220,349 increase in appropriations between the original and final amended budget. The two components (\$155,000 and \$65,349) of this increase were both for grant funds received during the year, both primarily for purchases of capital equipment.

**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, 2007, the Agency had invested \$8,737,458 in capital assets, net of depreciation, as shown in the following table:

<b>Capital Assets (net of depreciation)</b>	<b>Governmental Activities</b>		<b>Increase (Decrease) from 2006</b>
	<b>2007</b>	<b>2006 Restated</b>	
Buildings and improvements	\$ 859,229	\$ 1,172,493	\$ (313,264)
Vehicles	79,556	198,394	(118,838)
Furniture, fixtures and equipment	1,401,378	1,372,814	28,564
Work in progress	6,397,295	5,322,875	1,074,420
Total	<u>\$ 8,737,458</u>	<u>\$ 8,066,576</u>	<u>\$ 670,882</u>

During the year, the Agency's investment in capital assets increased by \$670,882 mainly due to the continued construction of the communications towers and associated equipment included in work in progress above.

Additional information on the Agency's capital assets can be found in note III.B on pages 35-36 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 telephone excise tax revenue is based on the number of phones the Washington County population owns, including land lines, cell phones and voice over internet protocol. The Agency has decreased its population growth rates for forecasting and future budget purposes, but still anticipates increasing 9-1-1 revenues in future years based upon continued population growth and ownership of telephones.

**Requests for Information**

This financial report is designed to provide a general overview of Washington County Consolidated Communications Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Administration, Washington County Consolidated Communications Agency at P.O. Box 6375, Beaverton, Oregon, 97007.

# Basic Financial Statements



**Washington County Consolidated Communications Agency**  
Statement of Net Assets  
June 30, 2007

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,701,374
Receivables, net:	
9-1-1 taxes receivable	1,380,423
Accounts & Deposit receivable	54,972
Capital assets not being depreciated:	
Construction in progress	6,397,295
Capital assets net of accumulated depreciation:	
Buildings and improvements	859,229
Vehicles	79,556
Furniture, fixtures, and equipment	1,401,378
Total assets	15,874,227
<b>LIABILITIES</b>	
Accounts payable	73,470
Accrued salaries and benefits payable	283,371
Accrued compensated absences	368,165
Total liabilities	725,007
<b>NET ASSETS</b>	
Invested in capital assets	8,737,458
Restricted for:	
Facility improvements and equipment	2,237,105
Unrestricted	4,174,657
Total net assets	\$ 15,149,220

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

**Washington County Consolidated Communications Agency**  
Statement of Activities  
For the Year Ended June 30, 2007

	<b>Governmental Activities</b>
<b>Expenses:</b>	
Public safety - dispatch service:	\$ 9,302,503
Total program expenses	9,302,503
<b>Program revenues:</b>	
Charges for services	6,246,744
Operating grants and contributions	208,614
Capital grants and contributions	257,164
Total program revenues	6,712,522
Net program expenses	(2,589,981)
<b>General revenues:</b>	
9-1-1 taxes	2,634,950
Investment earnings	316,355
Miscellaneous	35,750
Total general revenues	2,987,055
Change in net assets	397,074
Net Assets, July 1, 2006 as previously stated	14,894,989
Restatement	(142,843)
Net assets, July 1, 2006 - as restated	14,752,146
Net assets, June 30, 2007	\$ 15,149,220

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

**Washington County Consolidated Communications Agency**

Balance Sheet

Governmental Funds

June 30, 2007

	<u>General Fund</u>	<u>System Upgrade Capital Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,510,646	\$ 2,241,329	\$ 949,399	\$ 5,701,374
Receivables:				
9-1-1 taxes receivable	1,380,423			1,380,423
Accounts receivable	40,128			40,128
Deposit on construction site		14,844		14,844
Total assets	<u>\$ 3,931,197</u>	<u>\$ 2,256,173</u>	<u>\$ 949,399</u>	<u>\$ 7,136,769</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 49,737	\$ 19,068	\$ 4,665	\$ 73,470
Accrued salaries & benefits payable	283,371			283,371
Deferred revenue	38,352			38,352
Total liabilities	<u>371,460</u>	<u>19,068</u>	<u>4,665</u>	<u>395,193</u>
Fund balances:				
Unreserved, reported in:				
General fund	3,559,737			3,559,737
Special revenue funds			944,734	944,734
Capital projects funds		2,237,105		2,237,105
Total fund balances	<u>3,559,737</u>	<u>2,237,105</u>	<u>944,734</u>	<u>6,741,576</u>
Total liabilities and fund balances	<u>\$ 3,931,197</u>	<u>\$ 2,256,173</u>	<u>\$ 949,399</u>	<u>\$ 7,136,769</u>

The notes to the 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, 2007

<b>Total fund balances</b>		\$ 6,741,576
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$10,536,310	
Accumulated depreciation	<u>(1,798,853)</u>	8,737,457
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.		
		38,352
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.		
		(368,165)
<b>Total net assets</b>		<u><u>\$ 15,149,220</u></u>

The notes to the 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, 2007

	General Fund	Upgrade Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,655,493			\$ 2,655,493
Investment earnings	124,612	\$ 143,172	\$ 48,570	316,354
Charges for services	6,257,914			6,257,914
Grants	208,614			208,614
Miscellaneous	36,337			36,337
Total revenues	<u>9,282,970</u>	<u>143,172</u>	<u>48,570</u>	<u>9,474,712</u>
<b>EXPENDITURES</b>				
Personal services	6,836,886			6,836,886
Materials and services	1,235,432	99,932	15,368	1,350,732
Capital outlay	264,887	1,164,769		1,429,656
Total expenditures	<u>8,337,205</u>	<u>1,264,701</u>	<u>15,368</u>	<u>9,617,274</u>
Excess of revenues over expenditures	<u>945,765</u>	<u>(1,121,529)</u>	<u>33,202</u>	<u>(142,562)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		125,000	84,866	209,866
Transfers out	<u>(209,866)</u>			<u>(209,866)</u>
Total other financing sources (uses)	<u>(209,866)</u>	<u>125,000</u>	<u>84,866</u>	<u>-</u>
Net change in fund balances	<u>735,899</u>	<u>(996,529)</u>	<u>118,068</u>	<u>(142,562)</u>
Fund balances - July 1, 2006	<u>2,823,838</u>	<u>3,233,634</u>	<u>826,666</u>	<u>6,884,138</u>
Fund balances - June 30, 2007	<u>\$ 3,559,737</u>	<u>\$ 2,237,105</u>	<u>\$ 944,734</u>	<u>\$ 6,741,576</u>

The notes to the 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 the Statement of Activities**  
**For the Year Ended June 30, 2007**

Amounts reported for governmental activities in the Statement of Activities (page 25) are different because:

Net change in fund balances - total governmental funds (page 28)	\$(142,562)
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 additions to capital assets exceed depreciation expense.	670,882
9-1-1 taxes that do not meet the measurable and available criteria to pay for current period expenditures are deferred revenue in the governmental funds.	(20,544)
Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.	(11,757)
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>(98,945)</u>
Change in net assets	<u><u>\$ 397,074</u></u>

The notes to the 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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,200,000	\$ 2,200,000	\$2,655,493	\$ 455,493
Investment earnings	30,000	30,000	124,612	94,612
Charges for services	6,252,482	6,252,482	6,257,914	5,432
Grants	15,000	235,349	208,614	(26,735)
Miscellaneous	30,000	30,000	36,337	6,337
Total revenues	<u>8,527,482</u>	<u>8,747,831</u>	<u>9,282,970</u>	<u>535,139</u>
<b>EXPENDITURES</b>				
Personal services	7,731,432	7,731,432	6,836,886	894,546
Materials and services	1,279,441	1,287,156	1,235,432	51,724
Capital outlay	73,800	286,434	264,887	21,547
Operating contingency	953,891	953,891	-	953,891
Total expenditures	<u>10,038,564</u>	<u>10,258,913</u>	<u>8,337,205</u>	<u>1,921,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,511,082)</u>	<u>(1,511,082)</u>	<u>945,765</u>	<u>2,456,847</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(209,866)	(209,866)	(209,866)	-
Total other financing sources (uses)	<u>(209,866)</u>	<u>(209,866)</u>	<u>(209,866)</u>	<u>-</u>
Net change in fund balances	<u>(1,720,948)</u>	<u>(1,720,948)</u>	<u>735,899</u>	<u>2,456,847</u>
Fund balances - July 1, 2006	<u>2,152,953</u>	<u>2,152,953</u>	<u>2,823,838</u>	<u>670,885</u>
Fund balances - June 30, 2007	<u>\$ 432,005</u>	<u>\$ 432,005</u>	<u>\$3,559,737</u>	<u>\$ 3,127,732</u>

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

**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

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

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



**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

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**I. Summary of significant accounting policies, continued**

**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 are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within two months of the end of the current fiscal period. Significant revenues that are measurable and available under the modified accrual basis of accounting are user participation fees, 9-1-1 tax revenues, intergovernmental revenue, and interest, and have therefore been recognized in the current fiscal period. Under the *modified accrual basis of accounting*, expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

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

The Agency reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the Agency, except those required to be accounted for in another fund, either legally or by Board direction.
- The *System Upgrade Capital Fund*, a capital projects fund type, accounts for the accumulation of resources for construction costs to expand existing facilities.

Additionally, the Agency reports the following fund types:

- *Special Revenue Funds* account for revenue sources that are either legally, or by Agency policy, restricted for expenditures for specific purposes. Funds included in this fund category are the Equipment Replacement Fund and the Facility Maintenance Fund.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

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

The Agency has no investments other than with the Oregon State Treasurer's Local Government Investment Pool.

**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

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**I. Summary of significant accounting policies, continued**

**D. Assets, liabilities, and net assets or equity, continued**

**2. Receivables**

Receivables for dispatch and maintenance services are shown net of any allowance for uncollectible accounts. Management has determined that the emergency telephone system excise taxes (9-1-1) are fully collectible and therefore no allowance is deemed necessary.

**3. 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
Furniture and fixtures	7 years
Computer aided dispatch equipment	10 years
Communications equipment	7 years
Computer equipment	5 years
Vehicles	5 years

**4. Compensated absences**

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Agency does not have a policy to pay any amounts when employees separate from service. Earned but unused vacation is accrued as a payable when incurred in the government-wide financial statements. There is no amount, however, reported in the governmental fund financials, as accrued vacation is payable only when it has matured, such as in the instances of employee resignations and retirements.

**E. 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.

**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.

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

**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

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**II. Stewardship, compliance, and accountability, continued**

**B. Budgetary information, continued**

The Board of Commissioners adopts the original budget by resolution prior to the beginning of the Agency's fiscal year (July 1 through June 30), authorizing appropriation levels for each fund. Total personal services, materials and services, capital outlay, and other expenditures for each fund are the levels of control established by the resolution. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The Agency adopted two supplemental budgets in the year ended June 30, 2007.

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

**III. Detailed notes on all 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, 2007, were comprised of the following:

Petty cash	\$ 200
Deposits with financial institutions	438,294
Oregon Local Government Investment Pool	5,262,880
Total pooled cash and investments	<u>\$ 5,701,374</u>

**1. Deposits with financial institutions**

Deposits with financial institutions are bank demand deposits. The total carrying amount of deposits at June 30, 2007, was \$438,294. The total bank balance per the bank statements was \$569,074. Of these deposits, \$100,000 was covered by federal depository insurance and the remaining \$469,074 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 are to have maturities not to exceed 18 months.

The Agency did not have any investments other than with the Oregon Local Government Investment Pool as of June 30, 2007.

**Washington County Consolidated Communications Agency**  
**Notes to the Basic Financial Statements**  
June 30, 2007

**III. Detailed notes on all funds, continued**

**A. Cash, cash equivalents, and investments, continued**

**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 92% of the portfolio at June 30, 2007.

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 none of these investments as of June 30, 2007.

**4. Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. State statutes govern the Agency's investment policies. At June 30, 2007, the Agency did not have any investments exposed to custodial credit risk.

**B. Capital assets**

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

	<b>Balance June 30, 2006 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2007</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 5,322,875	\$ 1,074,420		\$ 6,397,295
Total capital assets, not being depreciated	<u>5,322,875</u>	<u>1,074,420</u>		<u>6,397,295</u>
Capital assets, being depreciated:				
Buildings and improvements	1,144,321			1,144,321
Vehicles	139,810	72,782	\$ (52,209)	160,383
Furniture, fixtures and equipment	2,524,017	363,682	(53,388)	2,834,311
Total capital assets, being depreciated	<u>3,808,148</u>	<u>436,464</u>	<u>(105,597)</u>	<u>4,139,015</u>

**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

**III. Detailed notes on all funds, continued**

**B. Capital assets, continued**

	Balance June 30, 2006 <u>Restated</u>	Increases	Decreases	Balance June 30, 2007
Less accumulated depreciation for:				
Buildings and improvements	(208,804)	(76,288)		(285,092)
Vehicles	(84,258)	(31,227)	34,658	(80,827)
Furniture, fixtures and equipment	(771,384)	(697,777)	36,228	(1,432,933)
Total accumulated depreciation	<u>(1,064,446)</u>	<u>(805,292)</u>	<u>70,886</u>	<u>(1,798,852)</u>
 Total capital assets being depreciated, net	 <u>2,743,702</u>	 <u>(368,828)</u>	 <u>(34,711)</u>	 <u>2,340,163</u>
 Total capital assets, net	 <u>\$ 8,066,577</u>	 <u>\$ 705,592</u>	 <u>\$ (34,711)</u>	 <u>\$ 8,737,458</u>

Depreciation Expense in the amount of \$805,292 was charged to the public safety function.

Capital assets do not include items provided by the participating governments that are currently being used by the Agency, but to which the Agency has not taken legal title under the terms of the Intergovernmental Agreement.

**C. Interfund receivables, payables, and transfers**

There were no interfund receivables and payables as of June 30, 2007.

Interfund transfers for the year ended June 30, 2007 are as follows:

<u>Transfers in:</u>	
System Upgrade Capital Fund	\$ 125,000
Nonmajor Governmental Funds:	
Equipment Replacement Fund	50,000
Facility Maintenance Fund	34,866
<u>Total Transfers out:</u>	
General Fund	<u>\$ 209,866</u>

Transfers are used to move unrestricted General Fund revenues to finance activities accounted for in other funds in accordance with board adopted budgetary authorizations. The Agency made transfers from the General Fund to the System Upgrade Capital Fund to fund upgrades at the 9-1-1 center, and to other funds in amounts similar to prior years.

**D. Compensated absences**

Compensated absences activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
<b>Governmental activities:</b>				
Compensated absences	<u>\$ 318,076</u>	<u>\$ 614,160</u>	<u>\$ (564,071)</u>	<u>\$ 368,166</u>

The balance is liquidated by the General Fund generally within one year, and is reported on the statement of net assets.

**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

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**IV. Other information**

**A. Risk management**

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

**B. Deferred compensation plan**

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

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

**C. Participation in Public Employees' Retirement System**

**1. Plan Description**

The Oregon Public Employees' Retirement System (PERS or "the System") provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges and school districts. For state agencies, community colleges, school districts and political subdivisions that have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. The Agency has joined this pool. The system provides retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The System is administered under Oregon Revised Statutes (ORS) Chapter 238 and 238A. ORS 238.620 established the Public Employees' Retirement Board as the governing body of PERS which has the authority to amend contribution rates. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. PERS issues a publicly available financial report that includes financial and required supplemental information. That report may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 1-503-598-7377.

**2. Funding Policy**

In 2003, the State Legislature created a new Oregon Public Service Retirement Plan (OPSRP) for employees hired on or after August 29, 2003. Employees hired prior to August 29, 2003 continue to participate in the former PERS plan. For the fiscal year ended June 30, 2007, the Agency was required to contribute at an actuarially determined rate of 13.9% for covered employees' salaries to the existing PERS plan and 8.04% to the newer OPSRP plan. With few exceptions, employees of the Agency are classified by PERS as general service employees. Pursuant to the collective bargaining agreement, the employees contribute the required employee contribution of 6% of covered salaries. Effective January 1, 2004, this 6% is required to be made to the Individual Retirement Account Program under OPSRP for all employees eligible for PERS. Contribution rates are determined based upon actuarial valuations, which are performed periodically by PERS. The Public Employees' Retirement Board has the statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis.

**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

**IV. Other information, continued**

**C. Participation in Public Employees' Retirement System, continued**

**3. Required Contributions**

For the year ended June 30, 2007, the Agency's required and actual contribution was \$631,097 for the Agency's employer share. Employer contributions are calculated in conformance with the provisions of GASB Statement 27 as a percentage of covered payroll. Therefore, the contributions paid to PERS are equal to the annually required contribution with no net pension obligation necessary to amortize. The required contribution for the year ended June 30, 2007 was determined as part of a December 31, 2003 actuarial valuation that used the entry age actuarial cost method.

**4. Three Year Trend Information for PERS and OPSRP:**

The Agency's annual required contributions, the percentage of annual required contributions to the plan, and the net pension obligation for 2007 and the two preceding years were as follows:

Year Ended June 30,	Required Contributions	Percentage of Required Contributions Made	Net Pension Obligation
2007	\$ 631,097	100%	-
2006	598,293	100%	-
2005	386,837	100%	-

**D. 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>
2008	\$ 53,307
2009	19,713
2010	23,331
2011	23,654
2012	23,987
Total	<u>\$ 143,992</u>

The expense for operating leases for the year ended June 30, 2007 was approximately \$40,400.

**E. 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 to some of these participating governments. These transactions are summarized on the following page:

**Washington County Consolidated Communications Agency**  
Notes to the Basic Financial Statements  
June 30, 2007

**IV. Other information, continued**

**E. Related party transactions, continued**

Participants	Fees	Taxes	Contracts	Maintenance	TOTALS
Washington County	\$ 1,393,696	\$ 1,079,679		\$ 9,687	\$ 2,483,062
Tualatin Valley Fire and Rescue	1,141,639			18,943	1,160,582
City of Hillsboro	1,064,959	443,152		9,527	1,517,637
City of Beaverton	812,065	445,367		7,065	1,264,497
City of Tigard	405,805	302,356		3,483	711,644
City of Forest Grove	226,121	77,927		1,195	305,243
City of Tualatin	227,017	136,010		2,753	365,780
City of Sherwood	131,476	82,734		623	214,832
City of Cornelius	107,098	56,868		801	164,767
Washington County Fire Dist. No. 2	49,293			539	49,832
City of Banks	28,243	5,619		313	34,175
City of Gaston	20,117	812		577	21,506
City of King City	16,279	12,734		196	29,208
City of Durham	10,394	5,469			15,863
City of North Plains	9,806	6,767		157	16,730
Clean Water Services	22,000			252	22,252
Tualatin Valley Irrigation	3,039			1,746	4,784
Clackamas County 800 Radio Group			\$ 422,067	315	422,382
Clackamas County				11,946	11,946
Clackamas Fire District No. 1				8,066	8,066
City of Lake Oswego				4,796	4,796
Miscellaneous	19,691			11,801	31,492
<b>TOTALS</b>	<b>\$ 5,688,738</b>	<b>\$ 2,655,493</b>	<b>\$ 422,067</b>	<b>\$ 94,777</b>	<b>\$ 8,861,075</b>

During the year ended June 30, 2007, the Agency received federal awards as pass through grants from Tualatin Valley Fire and Rescue in the amount of \$142,415.

During the year ended June 30, 2007, the Agency paid Tualatin Valley Fire & Rescue, a rural fire protection district, \$51,545 for accounting services and \$5,040 for contracted medical director 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 has been renewed through 2011.

**F. Restatement**

A restatement of beginning net assets was made during the fiscal year ended June 30, 2007. Equipment obtained through a grant in the prior year was duplicated in capital assets in the year end report; \$142,843 of the June 30, 2006 capital asset amount, net of accumulated depreciation, has been restated.

**G. Commitments and contingencies**

The Agency has remaining commitments for microwave and radio site construction contracts of approximately \$1,835,000 as of June 30, 2007. Additionally, \$150,000 of a contingent amount related to this construction may need to be incurred due to delays in construction during the fiscal year.



## 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.

**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, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Investment earnings	\$ 20,000	\$ 143,172	\$ 123,172
<b>EXPENDITURES</b>			
Materials and services	100,000	99,932	68
Capital outlay	<u>2,175,000</u>	<u>1,164,769</u>	<u>1,010,231</u>
Total expenditures	<u>2,275,000</u>	<u>1,264,701</u>	<u>1,010,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,255,000)</u>	<u>(1,121,529)</u>	<u>1,133,471</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total other financing sources	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balances	(2,130,000)	(996,529)	1,133,471
Fund balances - July 1, 2006	<u>2,185,902</u>	<u>3,233,634</u>	<u>1,047,732</u>
Fund balances - June 30, 2007	<u>\$ 55,902</u>	<u>\$ 2,237,105</u>	<u>\$ 2,181,203</u>

**Washington County Consolidated Communications Agency**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2007

	<i>Special Revenue Fund Types</i>		
	<b>Equipment Replacement Fund</b>	<b>Facility Maintenance Fund</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 650,843	\$ 298,556	\$ 949,399
Total assets	<u>\$ 650,843</u>	<u>\$ 298,556</u>	<u>\$ 949,399</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable		\$ 4,665	\$ 4,665
Fund Balances:			
Unreserved, reported in special revenue funds	\$ 650,843	293,891	944,734
Total liabilities and fund balances	<u>\$ 650,843</u>	<u>\$ 298,556</u>	<u>\$ 949,399</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, 2007

	<i>Special Revenue Fund Types</i>		
	<u>Equipment Replacement Fund</u>	<u>Facility Maintenance Fund</u>	<u>Total Other Governmental Funds</u>
<b>REVENUES</b>			
Investment earnings	\$ 33,183	\$ 15,387	\$ 48,570
<b>EXPENDITURES</b>			
Public safety	-	15,368	15,368
Excess (deficiency) of revenues over (under) expenditures	33,183	19	33,202
<b>OTHER FINANCING SOURCES</b>			
Transfers in	50,000	34,866	84,866
Net change in fund balances	83,183	34,885	118,068
Fund balances - July 1, 2006	567,660	259,006	826,666
Fund balances - June 30, 2007	<u>\$ 650,843</u>	<u>\$ 293,891</u>	<u>\$ 944,734</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, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Investment earnings	\$ 7,000	\$ 33,183	\$ 26,183
<b>OTHER FINANCING SOURCE</b>			
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	57,000	83,183	26,183
Fund balances - July 1, 2006	<u>568,841</u>	<u>567,660</u>	<u>(1,181)</u>
Fund balances - June 30, 2007	<u><u>\$ 625,841</u></u>	<u><u>\$ 650,843</u></u>	<u><u>\$ 25,002</u></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, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Investment earnings	\$ 4,500	\$ 15,387	\$ 10,887
<b>EXPENDITURES</b>			
Materials and services	50,000	15,368	34,632
Excess (deficiency) of revenues over (under) expenditures	(45,500)	19	45,519
<b>OTHER FINANCING SOURCE</b>			
Transfers in	34,866	34,866	-
Net change in fund balances	(10,634)	34,885	45,519
Fund balances - July 1, 2006	217,754	259,006	41,252
Fund balances - June 30, 2007	<u>\$ 207,120</u>	<u>\$ 293,891</u>	<u>\$ 86,771</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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>53</b>
These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>57</b>
These schedules contain information to help the reader assess the Agency's most significant local revenue source, the 9-1-1 tax, which is paid through contracts with participating governments.	
<b>Demographic and Economic Information</b>	<b>58</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place.	
<b>Operating Information</b>	<b>59</b>
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.

**Washington County Consolidated Communications Agency**

Net Assets by Component

Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006 Restated	2007
<b>Governmental Activities:</b>				
Invested in capital assets	\$ 4,995,156	\$ 7,456,210	\$ 8,066,576	\$ 8,737,458
Restricted	2,421,174	2,393,959	3,233,634	2,237,105
Unrestricted	2,309,195	2,735,153	3,451,936	4,174,657
Total primary government net assets	<u>\$ 9,725,525</u>	<u>\$ 12,585,322</u>	<u>\$ 14,752,146</u>	<u>\$ 15,149,220</u>



**Washington County Consolidated Communications Agency**

Changes in Net Assets

Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
<b>EXPENSES</b>				
Governmental activities:				
Public safety - dispatch service	\$ 7,205,969	\$ 7,454,683	\$ 8,086,281	\$ 9,302,503
Total expenses	<u>7,205,969</u>	<u>7,454,683</u>	<u>8,086,281</u>	<u>9,302,503</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services	5,275,929	5,648,971	5,935,009	6,246,744
Operating grants and contributions	134,517	790,774	129,827	208,614
Capital grants and contributions				257,164
Total program revenues	<u>5,410,446</u>	<u>6,439,745</u>	<u>6,064,836</u>	<u>6,712,522</u>
<b>NET (EXPENSE)/REVENUE</b>	<u>(1,795,523)</u>	<u>(1,014,938)</u>	<u>(2,021,445)</u>	<u>(2,589,981)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
9-1-1 taxes	2,206,420	2,231,608	2,390,880	2,634,950
Investment earnings	80,683	102,825	231,176	316,355
Proceeds from levy	1,510,264	1,510,264	1,510,264	
Miscellaneous	54,894	30,038	55,949	35,750
Total general revenues and other changes in net assets	<u>3,852,261</u>	<u>3,874,735</u>	<u>4,188,269</u>	<u>2,987,055</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 2,056,738</u>	<u>\$ 2,859,797</u>	<u>\$ 2,166,824</u>	<u>\$ 397,074</u>

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

	<b>Fiscal Year</b>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>GENERAL FUND</b>				
Unreserved	\$ 1,702,637	\$ 2,293,812	\$ 2,823,838	\$ 3,559,737
Total general fund	<u>\$ 1,702,637</u>	<u>\$ 2,293,812</u>	<u>\$ 2,823,838</u>	<u>\$ 3,559,737</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Unreserved, reported in				
Special revenue funds	\$ 826,568	\$ 745,137	\$ 826,666	\$ 944,734
Capital projects funds	2,403,356	2,375,721	3,233,634	2,237,105
Total all other governmental funds	<u>\$ 3,229,924</u>	<u>\$ 3,120,858</u>	<u>\$ 4,060,300</u>	<u>\$ 3,181,839</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>REVENUES</b>				
Taxes	\$ 2,179,044	\$ 2,258,983	\$ 2,332,940	2,655,493
Intergovernmental	-	1,510,264	1,510,264	-
Investment earnings	80,683	102,825	231,176	316,354
Charges for services	5,328,466	5,656,359	5,926,018	6,257,914
Grants	134,517	790,774	129,827	208,614
Miscellaneous	54,894	30,038	55,363	36,337
Total revenues	<u>7,777,604</u>	<u>10,349,243</u>	<u>10,185,588</u>	<u>9,474,712</u>
<b>EXPENDITURES</b>				
Current				
Public safety	6,705,450	7,128,202	7,725,788	8,187,618
Capital outlay	2,938,057	2,738,932	990,332	1,429,656
Total expenditures	<u>9,643,507</u>	<u>9,867,134</u>	<u>8,716,120</u>	<u>9,617,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,865,903)</u>	<u>482,109</u>	<u>1,469,468</u>	<u>(142,562)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	809,562	809,562	221,176	209,866
Transfers out	(809,562)	(809,562)	(221,176)	(209,866)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u><u>\$(1,865,903)</u></u>	<u><u>\$ 482,109</u></u>	<u><u>\$ 1,469,468</u></u>	<u><u>\$ (142,562)</u></u>

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

Fiscal Year	Total	Washington County	Tualatin Valley Fire and Rescue	City of Hillsboro	City of Beaverton	City of Tigard	City of Forest Grove	City of Tualatin	City of Sherwood	City of Cornelius	Washington					City of North Plains	Other
											City of Hillsboro	City of Beaverton	City of Tigard	City of Forest Grove	City of Tualatin		
2007	\$ 5,688,738	\$ 1,393,696	\$ 1,141,639	\$ 1,064,959	\$ 812,065	\$ 405,805	\$ 226,121	\$ 227,017	\$ 131,476	\$ 107,098	\$ 49,293	\$ 28,243	\$ 20,117	\$ 16,279	\$ 10,394	\$ 9,806	\$ 44,730
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	92,684	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	286,639	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	2,987,598	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

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 <sup>(1)</sup>	Per Capita Income (Washington County) <sup>(2)</sup>	Total Personal Income (Washington County) (in thousands) <sup>(3)</sup>	School Enrollment <sup>(4)</sup>	Unemployment Rate (%) (Washington County) <sup>(2)</sup>
2007	510,585	\$ 35,100	\$ 17,921,534	81,706	4.4 %
2006	500,585	33,347	16,693,008	79,016	4.5
2005	489,785	33,000	16,162,905	52,034	5.8
2004	480,200	32,000	15,366,400	50,822	6.5
2003	472,600	32,000	15,123,200	50,906	7.0
2002	463,050	32,000	14,817,600	47,095	5.9
2001	455,800	33,000	15,041,400	48,040	3.1
2000	449,250	31,000	13,926,750	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

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

Sources: Estimated from information provided by

- <sup>(1)</sup> Portland State University, Population Research Center and Washington County Department of Land Use and Transportation.
- <sup>(2)</sup> State of Oregon Employment Division, Research Department.
- <sup>(3)</sup> Washington County Department of Assessment and Taxation.
- <sup>(4)</sup> Washington County School District No.s 48J, 511J, 1J, 23J, 88J, 13 & 15.

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Dispatchers	50.0	50.0	48.0	45.0	54.5	53.0	54.0	62.5	59.0	58.5
Operations Supervisors	5.0	4.0	5.0	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	1.0	1.0	2.0	2.0	2.0
Technical Support	4.0	4.0	4.0	4.0	5.0	5.0	6.0	6.0	6.0	6.5
Administration and other	4.8	4.8	5.8	6.0	7.4	7.9	7.0	7.0	7.4	7.4
Total	<u>65.8</u>	<u>64.8</u>	<u>64.8</u>	<u>62.0</u>	<u>73.9</u>	<u>71.9</u>	<u>73.0</u>	<u>82.5</u>	<u>79.4</u>	<u>79.4</u>

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety -										
dispatch service:										
9-1-1 Calls	158,190	182,637	181,229	186,947	177,267	189,510	175,493	181,643	170,177	148,210
7 Digit In Calls	406,224	340,692	271,216	250,756	240,762	246,110	248,020	252,337	246,991	213,815

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	6,866



## 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.



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

December 6, 2007

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, 2007, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 6, 2007. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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**INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)**

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

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

**ACCOUNTING RECORDS**

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

**ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES**

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated that collateral was sufficient during the year ended June 30, 2007.

**INVESTMENTS**

Our review of deposit and investment balances indicated that, during the year ended June 30, 2007, 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, 2007.

**INSURANCE POLICIES AND FIDELITY BONDS**

We have reviewed the Agency's insurance and fidelity bond coverage at June 30, 2007. 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, 2007.

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

Page 3

**PUBLIC CONTRACTS**

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

**OTHER**

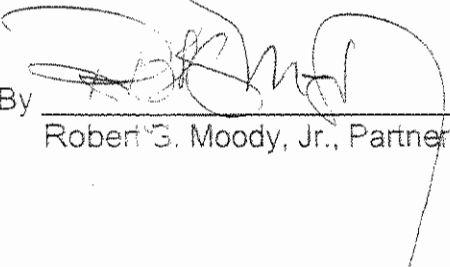
The following audit comments and disclosures do not apply to the Agency:

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

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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   
Robert S. Moody, Jr., Partner

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*Certified Public Accountants & Consultants*4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973  
503/274-2849 • Fax 503/274-2853**INDEPENDENT AUDITOR'S REPORT  
ON SUMMARY OF REVENUES AND EXPENDITURES**

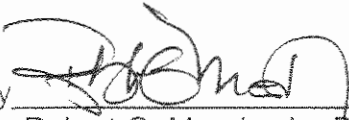
December 6, 2007

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, 2007, and have issued our report thereon dated December 6, 2007. 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 AccountantsBy   
Robert G. Moody, Jr., Partner