

**OREGON CASCADES WEST
COUNCIL OF GOVERNMENTS**
Albany, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
436 1st Avenue W | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

BOARD OF DIRECTORS

June 30, 2016

BENTON COUNTY

Anne Schuster, County Commissioner

Bill Currier, Mayor, Adair Village
Biff Traber, Mayor, Corvallis

Ron Thexton, City Council, Monroe
Rocky Sloan, Mayor, Philomath

LINCOLN COUNTY

Bill Hall, County Commissioner

AJ Mattila, Mayor, Depoe Bay
Chester Noreikis, City Council, Lincoln City
Dean Sawyer, City Council, Newport
Walter Chuck, President, Port of Newport

Dave Button, City Council, Siletz
Jill Lyon, City Council, Toledo
Dann Cutter, City Council, Waldport
Ron Brean, Mayor, Yachats

LINN COUNTY

John Lindsey, County Commissioner

Sharon Konopa, Mayor, Albany
Don Ware, Mayor, Brownsville
Ken Lorensen, City Council, Halsey
Sarah Puls, City Council, Harrisburg
Bob Elliott, City Council, Lebanon

Jim Lepin, City Council, Millersburg
Debbie Nuber, City Council, Scio
Jeffrey Goodwin, City Council, Sweet Home
Loel Trulove, Mayor, Tangent
Robert Kentta, Treasurer, Confederated Tribes
of Siletz

EXECUTIVE COMMITTEE

Sharon Konopa, Chair
Anne Schuster, Vice Chair
Bill Hall, Treasurer
Biff Traber
Bob Elliott
Dan Cutter

EXECUTIVE DIRECTOR

Fred Abousleman

REGISTERED OFFICE

1400 Queen Avenue SE
Albany, Oregon 97322

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

TABLE OF CONTENTS

June 30, 2016

Page
Number

INTRODUCTORY SECTION

- Title Page
- Board of Directors
- Table of Contents

FINANCIAL SECTION

| | |
|--|-------|
| Independent Auditor's Report..... | 1-3 |
| Management's Discussion and Analysis..... | 4-9 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds..... | 12 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds..... | 14 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 15 |
| Statement of Net Position - Proprietary Funds..... | 16 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds | 17 |
| Statement of Cash Flows - Proprietary Funds | 18-19 |
| Notes to Basic Financial Statements..... | 20-41 |
| Required Supplementary Information | |
| Schedule of the Council's Proportionate Share of the Net Pension Liability (Asset)..... | 42 |
| Schedule of Council Contributions | 42 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - | |
| General Fund | 43 |
| Community Development Fund..... | 44 |
| Senior and Disability Services Fund..... | 45 |
| Other Supplementary Information - Individual Fund Schedules | |
| Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - | |
| Loan Fund | 46 |
| Internal Service Fund | 47 |

OTHER FINANCIAL SCHEDULES

| | |
|---|----|
| Schedule of Net Position – Loan Fund | 48 |
| Schedule of Revenues, Expenses, and Changes in Net Position – RDF 1-3 and RDF 4 Loan Funds | 49 |

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

| | |
|--|-------|
| Disclosures and Independent Auditor’s Comments Required by the Minimum Standards for Audits of Oregon Municipal Corporations..... | 50-51 |
|--|-------|

SINGLE AUDIT SECTION

| | |
|---|-------|
| Schedule of Expenditures of Federal Awards | 52 |
| Notes to Schedule of Expenditures of Federal Awards | 53-54 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 55-56 |
| Report on Compliance for Each Major and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> | 57-58 |
| Schedule of Findings and Questioned Costs | 59 |

FINANCIAL SECTION



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon Cascades West Council of Governments
Albany, Oregon 97322

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Oregon Cascades West Council of Governments, Albany, Oregon as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Oregon Cascades West Council of Governments, Albany, Oregon as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and employer contributions, and budgetary comparison information on pages 4 through 9, 42 through 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oregon Cascades West Council of Government's basic financial statements. The individual fund schedules, and other financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements.

The individual fund schedules, other financial schedules, and schedule of expenditures of federal awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial

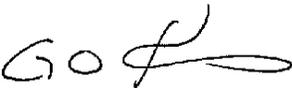
statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 29, 2016 on our tests of the Council's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

By: 

Albany, Oregon
December 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS

Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Oregon Cascades West Council of Governments, Albany, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2016. It should be read in conjunction with the Council's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total assets of the Council exceeded total liabilities by \$7,425,270 (net position).
- The Council's cash balance at June 30, 2016 was \$8,211,615.
- The Council had program revenues of \$21,333,122 and program expenses of \$24,679,792 for the year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Oregon Cascades West Council of Governments' basic financial statements. The Council's basic financial statements are comprised of 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 Council's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Council's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report the functions of the Council that are principally supported by intergovernmental revenues. The Council's functions are determined by the Council's member governments and may change from time to time. The Council's current functions include providing relending programs to local businesses; assisting seniors and persons with disabilities in gaining access to community, state, and federal support; community and economic development programs; and transportation planning. All of these functions are funded primarily by grant revenue through the state from the U.S. Department of Agriculture, the U.S. Department of Health and Human

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Services, the Small Business Administration, the U.S. Department of Commerce, and the U.S. Department of Transportation.

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

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the Council can be divided into two categories: governmental funds and proprietary 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 available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the Council'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 the 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 Council's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Community Development, and Senior and Disability Services Funds, all of which are considered to be major governmental funds.

The Council adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Council maintains two proprietary funds: an enterprise fund and an internal service fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Council uses its enterprise fund to account for its loan programs.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the Council's various functions. The Council uses its internal service fund to account for real property, vehicles, and management information systems. Because these services predominantly benefit governmental functions rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate information for the Loan and Internal Service Funds, both of which are considered to be major proprietary funds.

The basic proprietary fund financial statements can be found on pages 16 through 19 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information. This required supplementary information can be found on pages 42 through 45 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 46 through 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. At June 30, 2016, the Council's assets exceeded liabilities by \$7,425,270.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the Council's net position reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The Council uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Council's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Council's Net Position

The Council's net position decreased by \$3,346,670 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | | |
| Current assets | \$ 8,041,377 | \$ 7,338,924 | \$ 2,660,032 | \$ 2,919,886 | \$ 10,701,409 | \$ 10,258,810 |
| Noncurrent assets | - | 1,710,299 | 2,340,863 | 2,237,837 | 2,340,863 | 3,948,136 |
| Net capital assets | <u>2,350,248</u> | <u>2,539,687</u> | - | - | <u>2,350,248</u> | <u>2,539,687</u> |
| Total assets | <u>10,391,625</u> | <u>11,588,910</u> | <u>5,000,895</u> | <u>5,157,723</u> | <u>15,392,520</u> | <u>16,746,633</u> |
| Deferred outflows of resources | <u>1,274,309</u> | <u>750,700</u> | - | - | <u>1,274,309</u> | <u>750,700</u> |
| Liabilities | | | | | | |
| Current liabilities | 836,788 | 816,701 | 199,886 | 185,543 | 1,036,674 | 1,002,244 |
| Noncurrent liabilities | <u>5,068,102</u> | <u>260,003</u> | <u>1,951,088</u> | <u>2,150,583</u> | <u>7,019,190</u> | <u>2,410,586</u> |
| Total liabilities | <u>5,904,890</u> | <u>1,076,704</u> | <u>2,150,974</u> | <u>2,336,126</u> | <u>8,055,864</u> | <u>3,412,830</u> |
| Deferred inflows of resources | <u>1,185,695</u> | <u>3,312,563</u> | - | - | <u>1,185,695</u> | <u>3,312,563</u> |
| Net position | | | | | | |
| Net investment in capital assets | 2,090,245 | 2,236,351 | - | - | 2,090,245 | 2,236,351 |
| Restricted | 5,858,170 | 5,482,588 | - | - | 5,858,170 | 5,482,588 |
| Unrestricted | <u>(3,373,066)</u> | <u>231,404</u> | <u>2,849,921</u> | <u>2,821,597</u> | <u>(523,145)</u> | <u>3,053,001</u> |
| Total net position | <u>\$ 4,575,349</u> | <u>\$ 7,950,343</u> | <u>\$ 2,849,921</u> | <u>\$ 2,821,597</u> | <u>\$ 7,425,270</u> | <u>\$ 10,771,940</u> |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Council's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Program revenues | | | | | | |
| Programs | \$ 20,875,330 | \$ 21,025,926 | \$ 386,935 | \$ 395,350 | \$ 21,262,265 | \$ 21,421,276 |
| General revenues | | | | | | |
| Investment earnings | 33,621 | 28,257 | 10,563 | 10,042 | 44,184 | 38,299 |
| Pension credit | - | 1,569,112 | - | - | - | 1,569,112 |
| Miscellaneous | 26,545 | 29,628 | 128 | 41,328 | 26,673 | 70,956 |
| Total revenues | <u>20,935,496</u> | <u>22,652,923</u> | <u>397,626</u> | <u>446,720</u> | <u>21,333,122</u> | <u>23,099,643</u> |
| Program expenses | | | | | | |
| Programs | 24,152,555 | 20,214,265 | 369,302 | 451,424 | 24,521,857 | 20,665,689 |
| Interest | 18,048 | 20,627 | - | - | 18,048 | 20,627 |
| Depreciation | 139,887 | 198,847 | - | - | 139,887 | 198,847 |
| Total expenses | <u>24,310,490</u> | <u>20,433,739</u> | <u>369,302</u> | <u>451,424</u> | <u>24,679,792</u> | <u>20,885,163</u> |
| Change in net position | (3,374,994) | 2,219,184 | 28,324 | (4,704) | (3,346,670) | 2,214,480 |
| Net position - beginning of year | <u>7,950,343</u> | <u>5,731,159</u> | <u>2,821,597</u> | <u>2,826,301</u> | <u>10,771,940</u> | <u>8,557,460</u> |
| Net position - end of year | <u>\$ 4,575,349</u> | <u>\$ 7,950,343</u> | <u>\$ 2,849,921</u> | <u>\$ 2,821,597</u> | <u>\$ 7,425,270</u> | <u>\$ 10,771,940</u> |

FINANCIAL ANALYSIS OF THE COUNCIL'S FUNDS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the Council's investment in capital assets was \$2,350,248 (net of accumulated depreciation). This investment in capital assets includes land, machinery and equipment, and buildings and improvements.

Additional information on the Council's capital assets can be found in Note III-C on page 31 of this report.

**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Long-Term Debt

At the end of the current fiscal year, the Council had total debt outstanding of \$2,399,758. Of this amount, \$2,139,755 comprises debt related to the revolving loan program, and \$260,003 relates to building purchases.

| | Current Portion | Long-Term Portion | Total Due |
|------------------------|--------------------|----------------------|--------------|
| Revolving loan program | \$ 188,667 | \$ 1,951,088 | \$ 2,139,755 |
| Building note payable | 43,333 | 216,670 | 260,003 |
| | \$ 232,000 | \$ 2,167,758 | \$ 2,399,758 |

Additional information on the Council’s long-term debt can be found in Note III-E on pages 32 through 33 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

The following factors were considered in preparing the Council’s budget for the 2016-2017 fiscal year:

- State budget changes and service level requirements, as well as client transitions.
- PERS costs are increasing for the Council, budget amounts have been increased and separated from other benefits to be better track the financial impact of the increases.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Oregon Cascades West Council of Governments’ finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Sue Forty, Finance Director, Oregon Cascades West Council of Governments, 1400 Queen Avenue SE, Suite 201, Albany, Oregon 97322.

BASIC FINANCIAL STATEMENTS

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

STATEMENT OF NET POSITION

June 30, 2016

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 5,868,749 | \$ 2,342,866 | \$ 8,211,615 |
| Accounts receivable | 1,951,419 | 2,630 | 1,954,049 |
| Loans receivable, current portion, net | - | 311,269 | 311,269 |
| Prepaid expenses | 221,209 | 3,267 | 224,476 |
| Total current assets | 8,041,377 | 2,660,032 | 10,701,409 |
| Capital assets, not being depreciated | 253,140 | - | 253,140 |
| Capital assets, net of accumulated depreciation | 2,097,108 | - | 2,097,108 |
| Loans receivable, less current portion, net | - | 2,340,863 | 2,340,863 |
| Total assets | 10,391,625 | 5,000,895 | 15,392,520 |
| DEFERRED OUTFLOWS OF RESOURCES | 1,274,309 | - | 1,274,309 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 257,031 | 379 | 257,410 |
| Accrued liabilities | 26,465 | - | 26,465 |
| Other liabilities | 2,925 | 5,000 | 7,925 |
| Compensated absences | 507,034 | 5,840 | 512,874 |
| Long-term liabilities, current portion | 43,333 | 188,667 | 232,000 |
| Total current liabilities | 836,788 | 199,886 | 1,036,674 |
| Noncurrent liabilities | | | |
| Long-term liabilities, less current portion | 216,670 | 1,951,088 | 2,167,758 |
| Net pension liability | 4,851,432 | - | 4,851,432 |
| Total noncurrent liabilities | 5,068,102 | 1,951,088 | 7,019,190 |
| Total liabilities | 5,904,890 | 2,150,974 | 8,055,864 |
| DEFERRED INFLOWS OF RESOURCES | 1,185,695 | - | 1,185,695 |
| NET POSITION | | | |
| Net investment in capital assets | 2,090,245 | - | 2,090,245 |
| Restricted | 5,858,170 | - | 5,858,170 |
| Unrestricted | (3,373,066) | 2,849,921 | (523,145) |
| Total net position | \$ 4,575,349 | \$ 2,849,921 | \$ 7,425,270 |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

| <u>Functions/Programs</u> | Program Revenues | | | | | Total |
|----------------------------------|----------------------|-------------------------|--|----------------------------|-----------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental activities | | | | | | |
| Administration | \$ 3,111,336 | \$ 323,528 | \$ 1,911 | \$ (2,785,897) | \$ - | \$ (2,785,897) |
| Community development | 7,062,935 | 1,272,990 | 5,741,120 | (48,825) | - | (48,825) |
| Senior and disability services | 13,978,284 | 1,413,882 | 12,121,899 | (442,503) | - | (442,503) |
| Interest on long-term debt | 18,048 | - | - | (18,048) | - | (18,048) |
| Unallocated depreciation expense | 139,887 | - | - | (139,887) | - | (139,887) |
| Total governmental activities | <u>\$ 24,310,490</u> | <u>\$ 3,010,400</u> | <u>\$ 17,864,930</u> | <u>(3,435,160)</u> | <u>-</u> | <u>(3,435,160)</u> |
| Business-type activities | | | | | | |
| Lending programs | <u>\$ 369,302</u> | <u>\$ 386,935</u> | <u>\$ -</u> | <u>-</u> | <u>17,633</u> | <u>17,633</u> |
| General revenues | | | | | | |
| Investment earnings | | | | 33,621 | 10,563 | 44,184 |
| Miscellaneous | | | | 26,545 | 128 | 26,673 |
| Total general revenues | | | | <u>60,166</u> | <u>10,691</u> | <u>70,857</u> |
| Change in net assets | | | | (3,374,994) | 28,324 | (3,346,670) |
| Net position - beginning | | | | <u>7,950,343</u> | <u>2,821,597</u> | <u>10,771,940</u> |
| Net position - ending | | | | <u>\$ 4,575,349</u> | <u>\$ 2,849,921</u> | <u>\$ 7,425,270</u> |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

| | General Fund | Community Development Fund | Senior and Disability Services Fund | Total Governmental Funds |
|--|-----------------|----------------------------------|---|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 255,736 | \$ - | \$ 4,316,741 | \$ 4,572,477 |
| Accounts receivable | 1,011 | 627,068 | 1,323,340 | 1,951,419 |
| Prepaid expenses | 150,281 | 30,099 | 1,875 | 182,255 |
| Total assets | \$ 407,028 | \$ 657,167 | \$ 5,641,956 | \$ 6,706,151 |
| LIABILITIES | | | | |
| Accounts payable | \$ 33,896 | \$ 93,603 | \$ 119,313 | \$ 246,812 |
| Book overdraft | - | 183,188 | - | 183,188 |
| Accrued liabilities | 26,465 | - | - | 26,465 |
| Total liabilities | 60,361 | 276,791 | 119,313 | 456,465 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - grants | 1,403 | 9,743 | 3,132 | 14,278 |
| FUND BALANCES | | | | |
| Nonspendable - prepaids | 150,281 | 30,099 | 1,875 | 182,255 |
| Restricted for community development | - | 340,534 | - | 340,534 |
| Restricted for senior and disability services | - | - | 5,517,636 | 5,517,636 |
| Unassigned | 194,983 | - | - | 194,983 |
| Total fund balances | 345,264 | 370,633 | 5,519,511 | 6,235,408 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 407,028 | \$ 657,167 | \$ 5,641,956 | \$ 6,706,151 |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

| | | |
|--|--------------------|----------------------------|
| Total fund balances | | \$ 6,235,408 |
| Capital assets are not financial resources and are therefore not reported in the governmental funds: | | |
| Cost | 1,818,952 | |
| Accumulated depreciation | <u>(1,638,036)</u> | 180,916 |
| Internal service funds are used by management to charge non-departmental costs to individual funds. The assets and liabilities, excluding capital assets, of the internal service funds are included in governmental activities in the statement of net assets. | | 3,414,599 |
| Amounts relating to the Council's proportionate share of net pension liability or assets for the Oregon Public Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized when due. The amounts consist of: | | |
| Deferred outflows of resources relating to pension expense | 1,274,309 | |
| Deferred inflows of resources relating to pensions | (1,171,417) | |
| Net pension liability | <u>(4,851,432)</u> | (4,748,540) |
| Long-term liabilities are not due and payable in the current period and are therefore not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of: | | |
| Compensated absences payable | <u>(507,034)</u> | <u>(507,034)</u> |
| Net position of governmental activities | | \$ <u>4,575,349</u> |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

| | General Fund | Community Development Fund | Senior and Disability Services Fund | Total Governmental Funds |
|--|-----------------|----------------------------------|---|--------------------------------|
| REVENUES | | | | |
| Charges for services | \$ 1,745,959 | \$ 1,272,990 | \$ 1,413,882 | \$ 4,432,831 |
| Intergovernmental | 1,161 | 91,501 | 162,701 | 255,363 |
| Grants and contributions | 750 | 5,649,619 | 11,959,198 | 17,609,567 |
| Investment earnings | 33,616 | (2) | 7 | 33,621 |
| Miscellaneous income | 11,416 | 2,200 | 3,116 | 16,732 |
| Total revenues | 1,792,902 | 7,016,308 | 13,538,904 | 22,348,114 |
| EXPENDITURES | | | | |
| Current | | | | |
| Administration | 1,632,623 | - | - | 1,632,623 |
| Community development | - | 7,366,925 | - | 7,366,925 |
| Senior and disability services | - | - | 12,761,643 | 12,761,643 |
| Total expenditures | 1,632,623 | 7,366,925 | 12,761,643 | 21,761,191 |
| Excess (deficiency) of revenues over (under) expenditures | 160,279 | (350,617) | 777,261 | 586,923 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 60,000 | - | - | 60,000 |
| Transfers out | - | - | (10,000) | (10,000) |
| Total other financing sources (uses) | 60,000 | - | (10,000) | 50,000 |
| Net change in fund balances | 220,279 | (350,617) | 767,261 | 636,923 |
| Fund balances - beginning | 124,985 | 721,250 | 4,752,250 | 5,598,485 |
| Fund balances - ending | \$ 345,264 | \$ 370,633 | \$ 5,519,511 | \$ 6,235,408 |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

| | |
|---|------------------------------|
| Net change in fund balances | \$ 636,923 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. | |
| Depreciation expense recorded in the current year | (49,552) |
| Pension expense or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in governmental funds. In the statement of activities, pension expense or credit | |
| | (3,909,353) |
| Compensated absences are reported in the statement of activities but do not require the use of current financial resources and are therefore not reported as expenditures in the government fund financial statements. | |
| | (53,972) |
| The net revenues of certain activities of the Internal Service Fund are not included in the governmental funds, but are reported in the statement of activities. | |
| | <u>960</u> |
| Change in net position | <u>\$ (3,374,994)</u> |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

| | Business-Type Activities Enterprise Fund | Governmental Activities Internal Service Fund |
|---|---|--|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,342,866 | \$ 1,479,460 |
| Accounts receivable | 2,630 | - |
| Prepaid expenses | 3,267 | 38,954 |
| Loans receivable, current portion, net | 311,269 | - |
| Total current assets | 2,660,032 | 1,518,414 |
| Noncurrent assets | | |
| Capital assets not being depreciated | - | 253,140 |
| Capital assets, net of accumulated depreciation | - | 1,916,192 |
| Loans receivable, less current portion, net | 2,340,863 | - |
| Total noncurrent assets | 2,340,863 | 2,169,332 |
| Total assets | 5,000,895 | 3,687,746 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 379 | 10,219 |
| Other liabilities | 5,000 | 2,925 |
| Compensated absences | 5,840 | - |
| Notes payable, current portion | 188,667 | 43,333 |
| Total current liabilities | 199,886 | 56,477 |
| Noncurrent liabilities | | |
| Notes payable, less current portion | 1,951,088 | 216,670 |
| Total liabilities | 2,150,974 | 273,147 |
| NET POSITION | | |
| Net investment in capital assets | - | 1,909,329 |
| Unrestricted | 2,849,921 | 1,505,270 |
| Total net position | \$ 2,849,921 | \$ 3,414,599 |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

| | Business-Type Activities Enterprise Fund | Governmental Activities Internal Service Fund |
|--|---|--|
| Operating revenues | | |
| Charges for services | \$ 386,935 | \$ 595,349 |
| Operating expenses | | |
| Personal services | 155,260 | 98,122 |
| Materials and services | 190,765 | 298,145 |
| Depreciation | - | 139,887 |
| Total operating expenses | 346,025 | 536,154 |
| Operating income (loss) | 40,910 | 59,195 |
| Nonoperating revenues (expenses) | | |
| Investment earnings | 10,563 | - |
| Miscellaneous income | 128 | 9,813 |
| Interest expense | (23,277) | (18,048) |
| Total nonoperating revenues (expenses) | (12,586) | (8,235) |
| Income before transfers | 28,324 | 50,960 |
| Transfers out | - | (50,000) |
| Change in net position | 28,324 | 960 |
| Total net position - beginning | 2,821,597 | 3,413,639 |
| Total net position - ending | \$ 2,849,921 | \$ 3,414,599 |

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

| | Business-Type Activities Enterprise Fund | Governmental Activities Internal Service Fund |
|---|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 384,809 | \$ - |
| Receipts from interfund services provided | - | 595,349 |
| Payments to suppliers | (191,716) | (334,306) |
| Payments to employees | (152,610) | (105,936) |
| | 40,483 | 155,107 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Miscellaneous income | 128 | 9,813 |
| Principal payments on long-term debt | (186,851) | - |
| Interest payments on long-term debt | (23,277) | - |
| | (210,000) | 9,813 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Transfers to other funds for capital purposes | - | (50,000) |
| Principal payments on long-term debt | - | (43,333) |
| Interest payments on long-term debt | - | (18,048) |
| | - | (111,381) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment earnings | 10,563 | - |
| Principal disbursed/collected on long-term notes receivable | (95,037) | - |
| | (84,474) | - |
| Net increase (decrease) in cash and cash equivalents | (253,991) | 53,539 |
| Cash and cash equivalents - beginning | 2,596,857 | 1,425,921 |
| Cash and cash equivalents - ending | \$ 2,342,866 | \$ 1,479,460 |

(Continued)

The accompanying notes are an integral part of the basic financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

(Continued)

| | Business-Type Activities Enterprise Fund | Governmental Activities Internal Service Fund |
|---|---|--|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ 40,910 | \$ 59,195 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | - | 139,887 |
| (Increase) decrease in: | | |
| Accounts and other receivables | (2,126) | - |
| Prepaid expenses | - | (38,953) |
| Increase (decrease) in: | | |
| Accounts payable | 58 | 2,792 |
| Other liabilities | (1,009) | - |
| Accrued liabilities | 2,650 | (7,814) |
| | \$ 40,483 | \$ 155,107 |
| Net cash provided (used) by operating activities | \$ 40,483 | \$ 155,107 |

The accompanying notes are an integral part of the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the Council.

B. Reporting Entity

Oregon Cascades West Council of Governments is organized under Oregon Revised Statutes Chapter 190 as a voluntarily created intergovernmental council formed by 27 governmental entities located in whole or part within Benton, Lincoln, and Linn Counties. The Council was chartered as a Type B Area Agency on Aging in 1982. The purpose of the Council is to be aware of and facilitate communications relating to the region's physical and social condition, provide staff for planning and operations of programs deemed to be of regional benefit, and to offer staff resources to local governments to assist in programs or activities that are locally beneficial. Operations include a wide variety of human services, economic and community development, and transportation programs. Funding for programs and administration is received from a wide variety of federal, state, and local governmental contracts and fundraising, including community groups and individual donations.

Control of the Council is vested in its board of directors, which is comprised of one representative from the governing board of each member unit. Administrative functions are delegated to the Council's executive director, who reports to and is responsible to the board.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds, while the business-type activities incorporate data from enterprise funds. Separate financial statements are provided for all governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental, and proprietary - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

The Council reports the following major governmental funds:

General Fund - The General Fund is the Council's primary operating fund. It accounts for all financial resources of the Council except those required to be accounted for in another fund.

Special Revenue Funds

Community Development Fund - The Community Development Fund accounts for contracts with local, state, and federal government agencies that assist member cities and counties with special economic and community development and transportation programs.

Senior and Disability Services Fund - The Senior and Disability Services Fund accounts for revenue and expenditures related to the oversight of state and federal disability service programs, as well as expenditures to provide assistance to seniors for: obtaining in-home care, respite care, and legal advice; assessments, planning, and monitoring of care for eligible seniors; and the oversight of nutrition programs for seniors. Revenue is primarily from federal and state contracts.

The Council reports the following major proprietary funds:

Enterprise Fund

Loan Fund - The Loan Fund accounts for loan administration and revolving loan servicing to local businesses.

Internal Service Fund - The Internal Service Fund accounts for services to the other funds of the Council.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activity column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

F. Budgetary Information

The Council budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, enterprise, and internal service funds. The general, special revenue and internal service funds are budgeted on the modified accrual basis of accounting. The enterprise fund is budgeted on the accrual basis of accounting.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

The Council begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain public comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the Council's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, debt service, and capital outlay 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 aforementioned 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. Supplemental budgets may be adopted by the board of directors at a regular board meeting and must be published. 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 directors. During the year, there were no supplemental budgets. The Council does not use encumbrances and appropriations lapse at year-end. Budgetary comparison schedules for each fund are presented for additional analysis only, not to demonstrate compliance with Oregon Budget Law as it relates to Chapter 190 organizations.

Budget amounts shown in the financial statements reflect the original budget amounts.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Council's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

2. Investments

State statutes authorize the Council to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual saving banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

3. Loans Receivable

Loans receivable consist of amounts outstanding under the Council's revolving loan program. The loan principal and interest collected are reserved for future loans and the payment of administrative expenses related to the program. The Council uses the specific identification method when accounting for bad debts, as management has determined that this approximates accounting principles generally accepted in the United States of America. The Council determines past due status based on how recent payments have been received.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Assets</u> | <u>Years</u> |
|---------------------------------|--------------|
| Equipment | 3-25 |
| Buildings | 10-50 |
| Amortizable bond issuance costs | 20 |

5. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

6. Compensated Absences

Liabilities for accumulated or vested vacation leave and compensation time benefits are recorded in the government-wide and proprietary fund financial statements. The governmental fund financial statements do not report liabilities for compensated absences unless they are due for payment. Sick leave does not vest and is recorded in all funds as taken.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

7. Deferred Outflows/Inflows of Resources (Non-Pension Related)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The Council has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable fund balance are amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has by resolution authorized the Finance Director to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Estimates

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 may vary from those estimates.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Oregon Cascades West Council of Governments maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Council's position in the LGIP is the same as the value of the pool shares. Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896. Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the Council to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Oregon Local Government Investment Pool. The Council has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2016, the Council had the following unrestricted investments:

| | <u>Credit Quality</u> <u>Rating</u> | <u>Maturities</u> | <u>Fair Value</u> |
|---|--|-------------------|---------------------|
| Oregon Local Government Investment Pool | Unrated | - | <u>\$ 6,559,379</u> |

Interest Rate Risk

The Council does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The Council does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100% of the Council's investments are in the Oregon Local Government Investment Pool.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the Council will not be able to recover the value of its investments that are in the possession of an outside party. The Council does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the Council's deposits may not be returned. All Council deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The Council holds accounts at US Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016, \$504,694 of the Council's deposits were insured by the FDIC, and \$1,452,696 were collateralized under the Public Funds Collateralization Program.

Deposits

The Council's deposits and unrestricted investments at June 30, 2016 are as follows:

| | |
|--------------------------------|---------------------|
| Checking accounts | \$ 1,652,236 |
| Total unrestricted investments | <u>6,559,379</u> |
| Total deposits | <u>\$ 8,211,615</u> |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

Cash and investments by fund:

| | |
|---|----------------------------|
| Governmental activities | |
| General Fund | \$ 255,736 |
| Community Development Fund (book overdraft) | (183,188) |
| Senior and Disability Services Fund | 4,316,741 |
| Internal Service Fund | <u>1,479,460</u> |
| Total governmental activities | 5,868,749 |
| Business-type activities | |
| Loan Fund | <u>2,342,866</u> |
| Total cash and unrestricted investments | <u><u>\$ 8,211,615</u></u> |

B. Loans Receivable

Loans receivable consist of amounts outstanding under the Council's revolving loan programs. The loan principal and interest collected are reserved for future loans and the payment of administrative expenses related to the programs. At June 30, 2016, an allowance for doubtful accounts was deemed necessary in the amount of \$376,200. The outstanding loans are collateralized by tangible assets and are payable in monthly or quarterly installments, including interest at 6% to 9.5% per annum.

Loans receivable at June 30, 2016 consisted of:

| Loan Type | Principal |
|---|----------------------------|
| Linn Benton Lincoln Revolving Loan Fund | \$ (2) |
| Economic Development Agency Revolving Loan Fund | 645,550 |
| Business Enterprise | 40,036 |
| Rural Development Fund Rounds 1-3 | 1,415,989 |
| Rural Development Fund Round 4 | 265,207 |
| Lincoln County Urban Renewal Loan | 5,050 |
| Lincoln County Revolving Loan Fund | 136,712 |
| Business Investment Fund | <u>326,882</u> |
| Sub-total | 2,835,424 |
| Less allowance for doubtful accounts | <u>(376,200)</u> |
| Total | 2,459,224 |
| Loans in liquidation status | <u>192,908</u> |
| Total | <u><u>\$ 2,652,132</u></u> |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

At June 30, 2016, the Council had a total recorded investment in loans classified as “in liquidation” of \$192,908. This balance consists of two Rural Development Fund loans to two borrowers. The loans are secured by real property. The Council has no commitments to loan additional funds to the borrowers.

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 253,140 | \$ - | \$ - | \$ 253,140 |
| Capital assets being depreciated | | | | |
| Machinery and equipment | 2,677,897 | - | - | 2,677,897 |
| Buildings and improvements | 3,335,390 | - | - | 3,335,390 |
| Total capital assets being depreciated | <u>6,013,287</u> | <u>-</u> | <u>-</u> | <u>6,013,287</u> |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | (2,411,765) | (58,112) | - | (2,469,877) |
| Buildings and improvements | (1,314,975) | (131,327) | - | (1,446,302) |
| Total accumulated depreciation | <u>(3,726,740)</u> | <u>(189,439)</u> | <u>-</u> | <u>(3,916,179)</u> |
| Total capital assets being depreciated, net | <u>2,286,547</u> | <u>(189,439)</u> | <u>-</u> | <u>2,097,108</u> |
| Governmental activities capital assets, net | <u>\$ 2,539,687</u> | <u>\$ (189,439)</u> | <u>\$ -</u> | <u>\$ 2,350,248</u> |

Capital assets are reported on the statement of net position as follows:

| | <u>Capital Assets</u> | <u>Accumulated Depreciation</u> | <u>Net Capital Assets</u> |
|----------------------------|---------------------------|-------------------------------------|-------------------------------|
| Governmental activities | | | |
| Land | \$ 253,140 | \$ - | \$ 253,140 |
| Machinery and equipment | 2,677,897 | (2,469,877) | 208,020 |
| Buildings and improvements | 3,335,390 | (1,446,302) | 1,889,088 |
| Total capital assets | <u>\$ 6,266,427</u> | <u>\$ (3,916,179)</u> | <u>\$ 2,350,248</u> |

Depreciation was not charged to specific functions or programs of the Council. Capital assets of the Council are for the use of the entire Council and are therefore unallocated.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

D. Interfund Transfers

Interfund transfers during the year consisted of:

| | Transfers in: |
|-------------------------------------|---------------|
| | General Fund |
| Transfers out: | |
| Senior and Disability Services Fund | \$ 10,000 |
| Internal Service Fund | 50,000 |
| Total | \$ 60,000 |

Transfers were made to finance various programs that the Council must account for in other funds.

E. Compensated Absences

The following is a summary of compensated absences transactions for the year:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------|----------------------|-----------|------------|-------------------|
| Governmental activities | | | | |
| Net compensated absences | \$ 474,751 | \$ 32,283 | \$ - | \$ 507,034 |
| Business-Type Activities | | | | |
| Net compensated absences | \$ 3,190 | \$ 2,650 | \$ - | \$ 5,840 |

F. Long-Term Debt

1. Changes in Long-Term Debt

The following is a summary of long-term liabilities transactions for the year:

| | Interest Rate | Original Amount | Beginning Balance, | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------|------------------|--------------------|-----------------------|-----------|------------|-------------------|------------------------|
| Governmental activities | | | | | | | |
| Building note payable | 5.95% | \$ 650,000 | \$ 303,336 | \$ - | \$ 43,333 | \$ 260,003 | \$ 43,333 |
| Business-type activities | | | | | | | |
| Loans payable | | | | | | | |
| Revolving Fund #1 | 1% | \$ 1,500,000 | \$ 601,037 | \$ - | \$ 57,902 | \$ 543,135 | \$ 58,188 |
| Revolving Fund #2 | 1% | 1,500,000 | 659,525 | - | 56,809 | 602,716 | 57,609 |
| Revolving Fund #3 | 1% | 1,000,000 | 514,612 | - | 37,402 | 477,210 | 37,704 |
| Revolving Fund #4 | 1% | 950,000 | 551,432 | - | 34,738 | 516,694 | 35,166 |
| Total business-type activities | | \$ 4,950,000 | \$ 2,326,606 | \$ - | \$ 186,851 | \$ 2,139,755 | \$ 188,667 |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

2. Governmental Activities Note Payable

The building note payable was signed on May 21, 2001. Proceeds from the note were used to purchase land and buildings. Payments are due monthly in the amount of \$6,100 through June 1, 2011, and \$6,450 thereafter. The Internal Service Fund has traditionally been used to liquidate long-term debt related to the note.

3. Governmental Activities Future Maturities of Long-Term Debt

| Fiscal Year Ending June 30 | Note | |
|----------------------------------|-------------------|------------------|
| | Principal | Interest |
| 2017 | \$ 43,333 | \$ 15,470 |
| 2018 | 43,333 | 12,892 |
| 2019 | 43,333 | 10,314 |
| 2020 | 43,333 | 7,736 |
| 2021 | 43,333 | 5,156 |
| 2022 | 43,338 | 2,578 |
| | <u>\$ 260,003</u> | <u>\$ 54,146</u> |

4. Business-Type Activities Loans Payable

The Revolving Loan Funds #1-4 were issued for use in relending programs. Interest is due annually. The Loan Fund has traditionally been used to liquidate long-term debt related to the loans.

5. Business-Type Activities Future Maturities of Long-Term Debt

| Fiscal Year Ending June 30 | Loans | | |
|-------------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2017 | \$ 188,667 | \$ 21,996 | \$ 210,663 |
| 2018 | 190,560 | 20,106 | 210,666 |
| 2019 | 192,364 | 18,196 | 210,560 |
| 2020 | 194,297 | 16,268 | 210,565 |
| 2021 | 196,248 | 10,975 | 207,223 |
| 2022-2026 | 946,584 | 41,676 | 988,260 |
| 2027-2030 | 231,035 | 6,488 | 237,523 |
| | <u>\$ 2,139,755</u> | <u>\$ 135,705</u> | <u>\$ 2,275,460</u> |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

III. OTHER INFORMATION

A. Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The Council continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. There were no insurance settlements exceeding insurance coverage in any of the past three fiscal years.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which the termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

Contributions

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

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 were \$854,162.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

| | |
|---------------------------------------|---|
| Valuation Date | December 31, 2013 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed |
| Equivalent Single Amortization Period | 20 years |
| Asset Valuation Method | Market Value of Assets |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

| | |
|-------------------------------|--|
| <i>Actuarial Assumptions:</i> | |
| Inflation Rate | 2.75 percent |
| Investment Rate of Return | 7.75 percent |
| Projected Salary Increases | 3.75 percent |
| Mortality | <p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p> |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

At June 30, 2016, the Council reported a liability of \$4,851,432 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

valuation as of that date. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2013 the Council's proportion was 0.08449821%.

For the year ended June 30, 2016, the Council recognized pension expense of \$4,776,528. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 261,614 | \$ - |
| Net difference between projected and actual earnings on investments | - | 1,016,970 |
| Changes in proportionate share | 155,301 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,232 | 154,447 |
| Total (prior to post-MD contributions) | 420,147 | 1,171,417 |
| Contributions made after the measurement date | 854,162 | - |
| Total | \$ 1,274,309 | \$ 1,171,417 |
| Net deferred outflows/(inflows) | | \$ 102,892 |

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended June 30: | Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions) |
|---------------------|--|
| 2017 | \$ (424,681) |
| 2018 | \$ (424,681) |
| 2019 | \$ (424,681) |
| 2020 | \$ 498,913 |
| 2021 | \$ 23,861 |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Council's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

Council's proportionate share of the net pension (liability) asset:

| 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|------------------------|--------------------------|------------------------|
| \$ 11,708,751 | \$ 4,851,432 | \$ (927,486) |

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year end for the PERS system. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, the blended COLA based on creditable service before and after the effective dates of the legislation was estimated. This approach is consistent with OAR 459-005-0510, adopted by the PERS board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 requires the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

C. Subsequent Events

Management has evaluated subsequent events through December 29, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULES OF THE COUNCIL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) AND COUNCIL CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the Council's Proportionate Share of the Net Pension Liability (Asset)

| | 2016 | 2015 |
|--|--------------|----------------|
| Council's proportion of the net pension liability (asset) | 0.08449821% | 0.07545286% |
| Council's proportionate share of the net pension liability (asset) | \$ 4,851,432 | \$ (1,710,301) |
| Council's covered-employee payroll | \$ 6,041,438 | \$ 5,360,714 |
| Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 80% | -32% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 92% | 104% |

Schedule of Council Contributions

| | 2016 | 2015 |
|--|--------------|--------------|
| Contractually required contribution | \$ 854,162 | \$ 746,570 |
| Contributions in relation to the contractually required contribution | (854,162) | (746,570) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Council's covered-employee payroll | \$ 6,041,438 | \$ 5,360,714 |
| Contributions as a percentage of covered-employee payroll | 14% | 14% |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual Budget Basis |
|--|---------------------------------|---|---------------------------|
| REVENUES | | | |
| Local sources | \$ 1,913,934 | \$ (121,032) | \$ 1,792,902 |
| EXPENDITURES | | | |
| Current | | | |
| Personnel services | 1,480,480 | (348,165) | 1,132,315 |
| Materials and services | 463,454 | 22,852 | 486,306 |
| Total expenditures | 1,943,934 | (325,313) | 1,618,621 |
| Excess (deficiency) of revenues over (under) expenditures | (30,000) | 204,281 | 174,281 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 30,000 | 30,000 | 60,000 |
| Net change in fund balance | - | 234,281 | 234,281 |
| Fund balance - beginning | - | 124,985 | 124,985 |
| Fund balance - ending | \$ - | \$ 359,266 | \$ 359,266 |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual Budget Basis |
|---|---------------------------------|---|---------------------------|
| REVENUES | | | |
| Local sources | \$ 102,202 | \$ 504,950 | \$ 607,152 |
| Program revenue | 75,000 | 95,973 | 170,973 |
| State grants and contracts | 5,616,510 | 134,638 | 5,751,148 |
| Federal grants and contracts | 270,000 | 217,035 | 487,035 |
| Total revenues | 6,063,712 | 952,596 | 7,016,308 |
| EXPENDITURES | | | |
| Current | | | |
| Personnel services | 1,610,444 | (212,282) | 1,398,162 |
| Materials and services | 4,587,571 | 1,381,192 | 5,968,763 |
| Total expenditures | 6,198,015 | 1,168,910 | 7,366,925 |
| Excess (deficiency) of revenues over (under) expenditures | (134,303) | (216,314) | (350,617) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 177,349 | (177,349) | - |
| Net change in fund balance | 43,046 | (393,663) | (350,617) |
| Fund balance - beginning | 954,958 | (233,708) | 721,250 |
| Fund balance - ending | \$ 998,004 | \$ (627,371) | \$ 370,633 |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SENIOR AND DISABILITY SERVICES FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual Budget Basis |
|---|---------------------------------|---|---------------------------|
| REVENUES | | | |
| Local sources | 1,749,976 | \$ 201,196 | 1,951,172 |
| State grants and contracts | 675,796 | 189,388 | 865,184 |
| Federal grants and contracts | 11,578,921 | (856,373) | 10,722,548 |
| Total revenues | 14,004,693 | (465,789) | 13,538,904 |
| EXPENDITURES | | | |
| Current | | | |
| Personnel services | 10,240,393 | (1,739,394) | 8,500,999 |
| Materials and services | 4,687,114 | (426,470) | 4,260,644 |
| Total expenditures | 14,927,507 | (2,165,864) | 12,761,643 |
| Excess (deficiency) of revenues over (under) expenditures | (922,814) | 1,700,075 | 777,261 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 329,006 | (329,006) | - |
| Transfers out | (344,006) | 334,006 | (10,000) |
| Total other financing sources (uses) | (15,000) | 5,000 | (10,000) |
| Net change in fund balance | (937,814) | 1,705,075 | 767,261 |
| Fund balance - beginning | 4,639,662 | 112,588 | 4,752,250 |
| Fund balance - ending | \$ 3,701,848 | \$ 1,817,663 | \$ 5,519,511 |

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

LOAN FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual Budget Basis |
|---|---------------------------------|---|---------------------------|
| REVENUES | | | |
| Local sources | \$ 400,740 | \$ (3,114) | \$ 397,626 |
| EXPENSES | | | |
| Current | | | |
| Personnel services | 180,198 | (24,938) | 155,260 |
| Materials and services | 194,407 | (3,642) | 190,765 |
| Debt service | 314,127 | (290,850) | 23,277 |
| Total expenses | 688,732 | (319,430) | 369,302 |
| Excess (deficiency) of revenues over (under) expenses | (287,992) | 316,316 | 28,324 |
| Net position - beginning | 287,992 | 4,673,360 | 4,961,352 |
| Net position - ending | \$ - | \$ 4,989,676 | \$ 4,989,676 |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

INTERNAL SERVICE FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|---------------------|---------------------|---------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Local sources | \$ 588,553 | \$ 16,609 | \$ 605,162 | \$ - | \$ 605,162 |
| EXPENSES | | | | | |
| Current | | | | | |
| Personnel services | 150,671 | (43,452) | 107,219 | (9,097) | 98,122 |
| Materials and services | 351,908 | (53,763) | 298,145 | - | 298,145 |
| Depreciation | - | - | - | 139,887 | 139,887 |
| Debt service | <u>61,382</u> | <u>(1)</u> | <u>61,381</u> | <u>(43,333)</u> | <u>18,048</u> |
| Total expenses | <u>563,961</u> | <u>(97,216)</u> | <u>466,745</u> | <u>87,457</u> | <u>554,202</u> |
| Excess (deficiency) of revenues over (under) expenses | 24,592 | 113,825 | 138,417 | (87,457) | 50,960 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | <u>(82,000)</u> | <u>32,000</u> | <u>(50,000)</u> | <u>-</u> | <u>(50,000)</u> |
| Change in net position | (57,408) | 145,825 | 88,417 | (87,457) | 960 |
| Net position - beginning | <u>1,829,466</u> | <u>(421,710)</u> | <u>1,407,756</u> | <u>2,005,883</u> | <u>3,413,639</u> |
| Net position - ending | <u>\$ 1,772,058</u> | <u>\$ (275,885)</u> | <u>\$ 1,496,173</u> | <u>\$ 1,918,426</u> | <u>\$ 3,414,599</u> |

OTHER FINANCIAL SCHEDULES

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF NET POSITION

LOAN FUND

June 30, 2016

| | Lending Operations | Linn Benton RLF | Business Investment | Rural Development 1-3 | Rural Development 4 | Revolving Loan | Lincoln County Revolving Loan | Total |
|----------------------|-----------------------|--------------------|------------------------|-----------------------------|------------------------|-------------------|-------------------------------------|---------------------|
| ASSETS | | | | | | | | |
| Cash and investments | \$ 145,731 | \$ 93,942 | \$ 279,081 | \$ 899,049 | \$ 161,857 | \$ 299,767 | \$ 463,439 | \$ 2,342,866 |
| Accounts receivable | 2,630 | - | - | - | - | - | - | 2,630 |
| Loans receivable | - | (2) | 322,918 | 1,251,658 | 388,446 | 569,350 | 119,762 | 2,652,132 |
| Total assets | <u>148,361</u> | <u>93,940</u> | <u>601,999</u> | <u>2,150,707</u> | <u>550,303</u> | <u>869,117</u> | <u>583,201</u> | <u>4,997,628</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | 379 | - | - | - | - | - | - | 379 |
| Other liabilities | 5,000 | - | - | - | - | - | - | 5,000 |
| Compensated absences | 5,840 | - | - | - | - | - | - | 5,840 |
| Loans payable | - | - | - | 1,623,084 | 516,671 | - | - | 2,139,755 |
| Total liabilities | <u>11,219</u> | <u>-</u> | <u>-</u> | <u>1,623,084</u> | <u>516,671</u> | <u>-</u> | <u>-</u> | <u>2,150,974</u> |
| NET POSITION | | | | | | | | |
| Unrestricted | <u>\$ 137,142</u> | <u>\$ 93,940</u> | <u>\$ 601,999</u> | <u>\$ 527,623</u> | <u>\$ 33,632</u> | <u>\$ 869,117</u> | <u>\$ 583,201</u> | <u>\$ 2,846,654</u> |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

RDF 1-3 AND RDF 4 LOANS

For the Year Ended June 30, 2016

| | RDF 1-3 Loan | RDF 4 Loan | Total |
|---|-----------------|---------------|------------|
| REVENUES | | | |
| Loan interest | \$ 81,693 | \$ 21,857 | \$ 103,550 |
| Bank interest | 3,308 | 474 | 3,782 |
| Loan packaging fees | 1,977 | 684 | 2,661 |
| Total revenues | 86,978 | 23,015 | 109,993 |
| EXPENSES | | | |
| Interest payment | 17,766 | 5,510 | 23,276 |
| Administration expense | 52,821 | 18,493 | 71,314 |
| Total expenses | 70,587 | 24,003 | 94,590 |
| Excess (deficiency) of revenues over (under) expenses | 16,391 | (988) | 15,403 |
| Net position - beginning | 475,255 | 33,194 | 508,449 |
| Net position - ending | \$ 491,646 | \$ 32,206 | \$ 523,852 |

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



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Oregon Cascades West Council of Governments
Albany, Oregon 97322

We have audited the basic financial statements of Oregon Cascades West Council of Governments as of and for the year ended June 30, 2016, and have issued our report thereon dated December 29, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether Oregon Cascades West Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the Council was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, as defined above. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of the board of directors and management of Oregon Cascades West Council of Governments and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.


Accuity, LLC

December 29, 2016

SINGLE AUDIT SECTION

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

| | Pass Through Entity Number | Federal CFDA Number | Expenditures |
|---|----------------------------------|---------------------------|--------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Rural Economic Community Development Administration | | | |
| Intermediary Relending Program (Loan 1) Note Balance | N/A | 10.767 | \$ 543,135 |
| Intermediary Relending Program (Loan 2) Note Balance | N/A | 10.767 | 602,716 |
| Intermediary Relending Program (Loan 3) Note Balance | N/A | 10.767 | 477,210 |
| Intermediary Relending Program (Loan 4) Note Balance | N/A | 10.767 | 516,694 |
| Total U.S. Department of Agriculture | | | 2,139,755 |
| <u>U.S. Department of Transportation</u> | | | |
| Passed through Oregon Department of Transportation | | | |
| Highway Planning and Coordination | 19138 | 20.205 | 424,678 |
| Highway Planning and Coordination (MPO-FHT) | 19138 | 20.505 | 21,339 |
| Total U.S. Department of Transportation | | | 446,017 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed through Oregon Department of Human Resource, Senior, and Disability Services Division Special Programs for Aging: | | | |
| Title III-B, Grants for Supportive Services and Senior Centers | 85090 | 93.044 | 294,447 |
| Title III-C-1, Nutrition Services, Congregate Meals | 85090 | 93.045 | 362,479 |
| Title III-C-2, Nutrition Services, Home Meals | 85090 | 93.045 | 184,132 |
| USDA - NSIP | 85090 | 93.053 | 132,953 |
| Total Aging Cluster | | | 974,011 |
| Title III-E, National Family Caregiver Support Program | 85090 | 93.052 | 91,125 |
| Title III-F, Preventative Health Services | 85090 | 93.043 | 14,942 |
| Title VII-B, Elder Abuse Prevention | 85090 | 93.041 | 110 |
| Senior Meals Program | 85090 | 93.048 | 10,000 |
| Alzheimer's Disease Demonstration Grants to States | 85090 | 93.051 | 31,450 |
| Medical Assistance Program | 85090 | 93.778 | 183,552 |
| SHIBA/SHIP (RSVP) | 85090 | 93.779 | 18,000 |
| Total U.S. Department of Health and Human Services | | | 1,323,190 |
| <u>Corporation for National and Community Service</u> | | | |
| Passed through Oregon Department of Human Resource, Senior, and Disability Services Division Special Programs for Aging: | | | |
| RSVP Program | 85090 | 94.002 | 127,273 |
| Foster Grandparent Program | 85090 | 94.011 | 114,580 |
| Total Corporation for National and Community Service | | | 241,853 |
| <u>U.S. Department of Commerce</u> | | | |
| Economic Development Administration | | | |
| Support for Planning Organizations | N/A | 11.302 | 75,000 |
| Economic Adjustment Assistance | N/A | 11.307 | 869,117 |
| Total U.S. Department of Commerce | | | 944,117 |
| Total federal expenditures | | | \$ 5,094,932 |

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

I. PURPOSE OF SCHEDULE

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Oregon Cascades West Council of Governments under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the activities of the Council, it is not intended to and does not present the financial position, changes in net position, nor the operating funds' revenues and expenses.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

A. Basis of Presentation

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Council has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

B. Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and is therefore reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

C. Major Programs

The Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for the Council are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

D. Reporting Entity

The reporting entity is fully described in the notes to the financial statements of the Council's basic financial statements. Additionally, the schedule of expenditures of federal awards includes all federal programs administered by the Council for the year ended June 30, 2016.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

E. Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.

F. Loans Outstanding

The Council has outstanding loans to the U.S. Department of Agriculture of \$2,139,755 (CFDA Number 10.767) at June 30, 2016.



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Oregon Cascades West Council of Governments
Albany, Oregon 97322

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of Oregon Cascades West Council of Governments as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Oregon Cascades West Council of Governments' basic financial statements, and have issued our report thereon dated December 29, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oregon Cascades West Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Accuity, LLC

Albany, Oregon
December 29, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE***

Board of Directors
Oregon Cascades West Council of Governments
Albany, Oregon 97322

Report on Compliance for Each Major Federal Program

We have audited Oregon Cascades West Council of Governments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2016. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, Oregon Cascades West Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Oregon Cascades West Council of Governments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Accuity, LLC

Albany, Oregon
December 29, 2016

**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|------------|
| Type of auditor's opinion issued: | Unmodified |
| Internal control over financial reporting: | |
| · Material weaknesses identified? | No |
| · Significant deficiencies identified not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|------------|
| Internal control over major programs: | |
| · Material weaknesses identified? | No |
| · Significant deficiencies identified not considered to be material weaknesses? | No |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2CRF 200.516(a)? | No |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 11.307 | Economic Adjustment Assistance |
| 20.205 | Drive Less Connect/Rideshare |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |