

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

ANNUAL FINANCIAL REPORT

June 30, 2019



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

BOARD OF DIRECTORS

June 30, 2019

BENTON COUNTY

Pat Malone, County Commissioner

Alan Rowe, City Council, Adair Village
Biff Traber, Mayor, Corvallis

Lonnie Koroush, City Council, Monroe
Chas Jones, City Council, Philomath

LINCOLN COUNTY

Claire Hall, County Commissioner

Judy Casper, City Council, Lincoln City
Dean Sawyer, Mayor, Newport
Stewart Lamerdin, President, Port of Newport
Ron Hervey, City Council, Siletz

Rod Cross, Mayor, Toledo
Dann Cutter, Mayor, Waldport
Max Glenn, City Council, Yachats
Robert Kentta, Treasurer, Confederated Tribes
of Siletz

LINN COUNTY

Will Tucker, County Commissioner

Sharon Konopa, Mayor, Albany
Don Ware, Mayor, Brownsville
Ken Lorensen, Mayor, Halsey
Mike Caughey, City Council, Harrisburg
Wayne Rieskamp, City Council, Lebanon

Jim Lepin, Mayor, Millersburg
Debbie Nuber, City Council, Scio
Diane Gerson, City Council, Sweet Home
Carol Kom, City Council, Tangent

EXECUTIVE COMMITTEE

Biff Traber, Chair
Dann Cutter, Vice Chair
Sharon Konopa, Treasurer
Jim Lepin
Pat Malone
Claire Hall

EXECUTIVE DIRECTOR

Fred Abousleman

REGISTERED OFFICE

1400 Queen Avenue SE
Albany, Oregon 97322

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

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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, each major fund, and the remaining fund information of Oregon Cascades West Council of Governments, Albany, Oregon as of and for the year ended June 30, 2019, 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, each major fund, and the remaining fund information of Oregon Cascades West Council of Governments, Albany, Oregon as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2019, the Council adopted new accounting guidance: GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the Council's proportionate share of the net pension liability and employer contributions – PERS and OPEB RHIA, changes in OPEB liability and related ratios – medical benefit, and the budgetary comparison information on pages 4 through 9, 52 through 57, 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, schedules of the Council's proportionate share of the net pension liability and employer contributions – PERS and OPEB RHIA, and changes in OPEB liability and related ratios – medical benefit 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 aforementioned information 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.

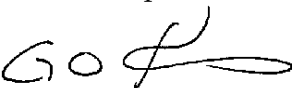
The individual fund schedules, other financial schedules, and schedule of expenditures of federal awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been 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 May 12, 2020 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 May 12, 2020 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
May 12, 2020

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, 2019. It should be read in conjunction with the Council's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2019, total assets of the Council exceeded total liabilities by \$6,898,801 (net position).
- The Council's cash balance at June 30, 2019 was \$11,550,080.
- The Council had program revenues of \$28,474,968 and program expenses of \$28,814,007 for the year ended June 30, 2019.

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.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS

Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

□ **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 46 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 52 through 57 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 58 through 59 of this report.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019, the Council's assets exceeded liabilities by \$6,898,801.

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 \$334,473 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets	\$ 11,855,762	\$ 11,009,948	\$ 2,706,178	\$ 3,290,635	\$ 14,561,940	\$ 14,300,583
Noncurrent assets	69,391	43,271	2,126,280	1,579,752	2,195,671	1,623,023
Net capital assets	<u>1,968,423</u>	<u>2,072,465</u>	<u>-</u>	<u>-</u>	<u>1,968,423</u>	<u>2,072,465</u>
Total assets	<u>13,893,576</u>	<u>13,125,684</u>	<u>4,832,458</u>	<u>4,870,387</u>	<u>18,726,034</u>	<u>17,996,071</u>
Deferred outflows of resources	<u>4,177,991</u>	<u>3,803,858</u>	<u>-</u>	<u>-</u>	<u>4,177,991</u>	<u>3,803,858</u>
Liabilities						
Current liabilities	1,138,125	908,368	216,494	209,900	1,354,619	1,118,268
Noncurrent liabilities	<u>11,645,007</u>	<u>11,587,517</u>	<u>1,530,760</u>	<u>1,633,065</u>	<u>13,175,767</u>	<u>13,220,582</u>
Total liabilities	<u>12,783,132</u>	<u>12,495,885</u>	<u>1,747,254</u>	<u>1,842,965</u>	<u>14,530,386</u>	<u>14,338,850</u>
Deferred inflows of resources	<u>1,474,838</u>	<u>227,805</u>	<u>-</u>	<u>-</u>	<u>1,474,838</u>	<u>227,805</u>
Net position						
Net investment in capital assets	1,838,419	1,899,128	-	-	1,838,419	1,899,128
Restricted	7,865,393	7,645,250	-	-	7,865,393	7,645,250
Unrestricted	<u>(5,890,215)</u>	<u>(5,338,526)</u>	<u>3,085,204</u>	<u>3,027,422</u>	<u>(2,805,011)</u>	<u>(2,311,104)</u>
Total net position	<u>\$ 3,813,597</u>	<u>\$ 4,205,852</u>	<u>\$ 3,085,204</u>	<u>\$ 3,027,422</u>	<u>\$ 6,898,801</u>	<u>\$ 7,233,274</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.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues						
Programs	\$ 28,121,541	\$ 26,843,168	\$ 353,427	\$ 374,681	\$ 28,474,968	\$ 27,217,849
General revenues						
Investment earnings	176,024	110,099	-	1	176,024	110,100
Miscellaneous	<u>24,614</u>	<u>46,786</u>	<u>2,913</u>	<u>350</u>	<u>27,527</u>	<u>47,136</u>
Total revenues	<u>28,322,179</u>	<u>27,000,053</u>	<u>356,340</u>	<u>375,032</u>	<u>28,678,519</u>	<u>27,375,085</u>
Program expenses						
Programs	28,515,449	26,866,291	298,558	329,001	28,814,007	27,195,292
Interest	10,313	12,892	-	-	10,313	12,892
Depreciation	<u>188,672</u>	<u>189,460</u>	<u>-</u>	<u>-</u>	<u>188,672</u>	<u>189,460</u>
Total expenses	<u>28,714,434</u>	<u>27,068,643</u>	<u>298,558</u>	<u>329,001</u>	<u>29,012,992</u>	<u>27,397,644</u>
Transfers	<u>-</u>	<u>(25,366)</u>	<u>-</u>	<u>25,366</u>	<u>-</u>	<u>-</u>
Change in net position	(392,255)	(93,956)	57,782	71,397	(334,473)	(22,559)
Net position - beginning of year, as restated	<u>4,205,852</u>	<u>4,299,808</u>	<u>3,027,422</u>	<u>2,956,025</u>	<u>7,233,274</u>	<u>7,255,833</u>
Net position - end of year	<u>\$ 3,813,597</u>	<u>\$ 4,205,852</u>	<u>\$ 3,085,204</u>	<u>\$ 3,027,422</u>	<u>\$ 6,898,801</u>	<u>\$ 7,233,274</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, 2019, the Council's investment in capital assets was \$1,968,423 (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 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 \$1,857,802. Of this amount, \$1,722,388 comprises debt related to the revolving loan program, and \$130,004 relates to building purchases.

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total Due</u>
Revolving loan program	\$ 197,038	\$ 1,530,760	\$ 1,727,798
Building note payable	<u>43,333</u>	<u>86,671</u>	<u>130,004</u>
	<u>\$ 240,371</u>	<u>\$ 1,617,431</u>	<u>\$ 1,857,802</u>

Additional information on the Council's long-term debt can be found 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 2019-2020 fiscal year:

- The 2019-2020 budget was built with a goal of maintaining staffing levels that allow programs to be responsive and supportive to members.
- Council goals:
 - Integration of call centers for RideLine and senior and disability services.
 - Development and implementation of a new marketing plan for business lending services that the Council offers.
 - Develop a regional plan for senior and disability services.

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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,905,325	\$ 2,644,755	\$ 11,550,080
Accounts receivable	2,776,079	23,680	2,799,759
Loans receivable, current portion, net	-	37,743	37,743
Prepaid expenses	174,358	-	174,358
Total current assets	11,855,762	2,706,178	14,561,940
Net OPEB asset	69,391	-	69,391
Capital assets, not being depreciated	253,140	-	253,140
Capital assets, net of accumulated depreciation	1,715,283	-	1,715,283
Loans receivable, less current portion, net	-	2,126,280	2,126,280
Total assets	13,893,576	4,832,458	18,726,034
DEFERRED OUTFLOWS OF RESOURCES	4,177,991	-	4,177,991
LIABILITIES			
Current liabilities			
Accounts payable	468,099	589	468,688
Accrued liabilities	30,945	-	30,945
Deferred revenue	31,775	-	31,775
Other liabilities	2,925	5,500	8,425
Compensated absences	561,048	13,367	574,415
Long-term liabilities, current portion	43,333	197,038	240,371
Total current liabilities	1,138,125	216,494	1,354,619
Noncurrent liabilities			
Long-term liabilities, less current portion	86,671	1,530,760	1,617,431
Net OPEB liability	253,310	-	253,310
Net pension liability -PERS	11,305,026	-	11,305,026
Total noncurrent liabilities	11,645,007	1,530,760	13,175,767
Total liabilities	12,783,132	1,747,254	14,530,386
DEFERRED INFLOWS OF RESOURCES	1,474,838	-	1,474,838
NET POSITION			
Net investment in capital assets	1,838,419	-	1,838,419
Restricted	7,865,393	-	7,865,393
Unrestricted	(5,890,215)	3,085,204	(2,805,011)
Total net position	\$ 3,813,597	\$ 3,085,204	\$ 6,898,801

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, 2019

<u>Functions/Programs</u>	Program Revenues					Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities						
Administration	\$ 3,044,208	\$ 3,042,359	\$ 78,460	\$ 76,611	\$ -	\$ 76,611
Community development	9,846,407	1,256,513	8,707,628	117,734	-	117,734
Senior and disability services	15,624,834	1,629,749	13,406,832	(588,253)	-	(588,253)
Interest on long-term debt	10,313	-	-	(10,313)	-	(10,313)
Unallocated depreciation expense	<u>188,672</u>	<u>-</u>	<u>-</u>	<u>(188,672)</u>	<u>-</u>	<u>(188,672)</u>
Total governmental activities	<u>\$ 28,714,434</u>	<u>\$ 5,928,621</u>	<u>\$ 22,192,920</u>	<u>(592,893)</u>	<u>-</u>	<u>(592,893)</u>
Business-type activities						
Lending programs	<u>\$ 298,558</u>	<u>\$ 353,427</u>	<u>\$ -</u>	<u>-</u>	<u>54,869</u>	<u>54,869</u>
General revenues						
Investment earnings				176,024	-	176,024
Miscellaneous				<u>24,614</u>	<u>2,913</u>	<u>27,527</u>
Total general revenues				<u>200,638</u>	<u>2,913</u>	<u>203,551</u>
Change in net assets				(392,255)	57,782	(334,473)
Net position - beginning, as restated				<u>4,205,852</u>	<u>3,027,422</u>	<u>7,233,274</u>
Net position - ending				<u>\$ 3,813,597</u>	<u>\$ 3,085,204</u>	<u>\$ 6,898,801</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, 2019

	General Fund	Community Development Fund	Senior and Disability Services Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,203,726	\$ 709,402	\$ 4,843,210	\$ 6,756,338
Accounts receivable	54,351	1,024,366	1,697,362	2,776,079
Prepaid expenses	<u>142,525</u>	<u>29,015</u>	<u>2,818</u>	<u>174,358</u>
Total assets	<u><u>\$ 1,400,602</u></u>	<u><u>\$ 1,762,783</u></u>	<u><u>\$ 6,543,390</u></u>	<u><u>\$ 9,706,775</u></u>
LIABILITIES				
Accounts payable	\$ 53,216	\$ 239,953	\$ 163,494	\$ 456,663
Accrued liabilities	<u>30,945</u>	<u>-</u>	<u>-</u>	<u>30,945</u>
Total liabilities	<u>84,161</u>	<u>239,953</u>	<u>163,494</u>	<u>487,608</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	<u>26,275</u>	<u>1,500</u>	<u>4,000</u>	<u>31,775</u>
FUND BALANCES				
Nonspendable - prepaids	142,525	29,015	2,818	174,358
Restricted for community development	-	1,492,315	-	1,492,315
Restricted for senior and disability services	-	-	6,373,078	6,373,078
Assigned for future PERS needs	1,052,297	-	-	1,052,297
Unassigned	<u>95,344</u>	<u>-</u>	<u>-</u>	<u>95,344</u>
Total fund balances	<u>1,290,166</u>	<u>1,521,330</u>	<u>6,375,896</u>	<u>9,187,392</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,400,602</u></u>	<u><u>\$ 1,762,783</u></u>	<u><u>\$ 6,543,390</u></u>	<u><u>\$ 9,706,775</u></u>

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, 2019

Total fund balances		\$ 9,187,392
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	6,191,552	
Accumulated depreciation	<u>(6,093,357)</u>	98,195
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.		
		3,874,850
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	4,177,991	
Deferred inflows of resources	(1,474,838)	
Net OPEB asset	69,391	
Net OPEB liability	(253,310)	
Net pension liability - PERS	<u>(11,305,026)</u>	(8,785,792)
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>(561,048)</u>
Net position of governmental activities		\$ <u>3,813,597</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, 2019

	General Fund	Community Development Fund	Senior and Disability Services Fund	Total Governmental Funds
REVENUES				
Charges for services	\$ 2,328,291	\$ 1,256,513	\$ 1,629,749	\$ 5,214,553
Intergovernmental	56,239	104,412	232,876	393,527
Grants and contributions	22,221	8,603,216	13,173,956	21,799,393
Investment earnings	176,005	-	19	176,024
Miscellaneous income	8,849	1,171	6,178	16,198
	<u>2,591,605</u>	<u>9,965,312</u>	<u>15,042,778</u>	<u>27,599,695</u>
Total revenues				
EXPENDITURES				
Current				
Administration	2,192,778	-	52,581	2,245,359
Community development	-	9,846,407	-	9,846,407
Senior and disability services	-	-	14,952,286	14,952,286
	<u>2,192,778</u>	<u>9,846,407</u>	<u>15,004,867</u>	<u>27,044,052</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	398,827	118,905	37,911	555,643
Fund balances - beginning	891,339	1,402,425	6,337,985	8,631,749
Fund balances - ending	<u>\$ 1,290,166</u>	<u>\$ 1,521,330</u>	<u>\$ 6,375,896</u>	<u>\$ 9,187,392</u>

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, 2019

Net change in fund balances		\$ 555,643
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.		
Capital asset additions	35,801	
Depreciation expense recorded in the current year	<u>(40,992)</u>	(5,191)
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		(947,603)
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.		(74,297)
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>79,193</u>
Change in net position		<u><u>\$ (392,255)</u></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, 2019

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,644,755	\$ 2,148,987
Accounts receivable	23,680	-
Loans receivable, current portion, net	37,743	-
Total current assets	2,706,178	2,148,987
Noncurrent assets		
Capital assets not being depreciated	-	253,140
Capital assets, net of accumulated depreciation	-	1,617,088
Loans receivable, less current portion, net	2,126,280	-
Total noncurrent assets	2,126,280	1,870,228
Total assets	4,832,458	4,019,215
LIABILITIES		
Current liabilities		
Accounts payable	589	11,436
Other liabilities	5,500	2,925
Compensated absences	13,367	-
Notes payable, current portion	197,038	43,333
Total current liabilities	216,494	57,694
Noncurrent liabilities		
Notes payable, less current portion	1,530,760	86,671
Total liabilities	1,747,254	144,365
NET POSITION		
Net investment in capital assets	-	1,740,224
Unrestricted	3,085,204	2,134,626
Total net position	\$ 3,085,204	\$ 3,874,850

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, 2019

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
Operating revenues		
Charges for services	\$ 353,427	\$ 714,068
Operating expenses		
Personal services	142,670	125,924
Materials and services	154,015	359,374
Depreciation	<u>-</u>	<u>147,680</u>
Total operating expenses	<u>296,685</u>	<u>632,978</u>
Operating income (loss)	56,742	81,090
Nonoperating revenues (expenses)		
Miscellaneous income	2,913	8,416
Interest expense	<u>(1,873)</u>	<u>(10,313)</u>
Total nonoperating revenues (expenses)	<u>1,040</u>	<u>(1,897)</u>
Income before transfers	57,782	79,193
Total net position - beginning	<u>3,027,422</u>	<u>3,795,657</u>
Total net position - ending	<u><u>\$ 3,085,204</u></u>	<u><u>\$ 3,874,850</u></u>

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, 2019

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 348,809	\$ -
Receipts from interfund services provided	-	769,584
Payments to suppliers	(153,532)	(353,217)
Payments to employees	<u>(141,233)</u>	<u>(125,924)</u>
Net cash provided (used) by operating activities	<u>54,044</u>	<u>290,443</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous income	2,912	8,416
Principal payments on long-term debt	(103,000)	-
Interest payments on long-term debt	<u>(8,732)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(108,820)</u>	<u>8,416</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	-	-
Transfers to other funds for capital purposes	-	(48,829)
Principal payments on long-term debt	-	(43,333)
Interest payments on long-term debt	<u>-</u>	<u>(10,313)</u>
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(102,475)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	-	-
Principal disbursed/collected on long-term notes receivable	<u>(163,291)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(163,291)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(218,067)	196,384
Cash and cash equivalents - beginning	<u>2,862,822</u>	<u>1,952,603</u>
Cash and cash equivalents - ending	<u>\$ 2,644,755</u>	<u>\$ 2,148,987</u>

(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, 2019

(Continued)

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 56,742	\$ 81,090
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	-	147,680
(Increase) decrease in:		
Accounts and other receivables	(4,618)	55,516
Increase (decrease) in:		
Accounts payable	483	6,157
Accrued liabilities	<u>1,437</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 54,044</u>	<u>\$ 290,443</u>

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, 2019

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, 2019

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, 2019

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 measureable 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 measureable 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, 2019

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, 2019

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, 2019

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.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

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 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.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

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 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. The Council participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset.

The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* – Unadjusted quoted prices for identical investments in active markets.
- *Level 2* – Observable inputs other than quoted market prices; and,
- *Level 3* – Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2019.

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Level 2</u>
Oregon Local Government Investment Pool	<u>\$ 8,487,346</u>

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, 2019, the Council had the following unrestricted investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 8,487,346</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.

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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.

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, Washington Federal, Umpqua Bank, and Citizens Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2019, \$504,674 of the Council's deposits were insured by the FDIC, and \$2,999,245 were collateralized under the Public Funds Collateralization Program.

Deposits

The Council's deposits and unrestricted investments at June 30, 2019 are as follows:

Checking accounts	\$ 3,062,734
Total unrestricted investments	<u>8,487,346</u>
Total deposits	<u><u>\$ 11,550,080</u></u>

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Cash and investments by fund:

Governmental activities	
General Fund	\$ 1,203,726
Community Development Fund	709,402
Senior and Disability Services Fund	4,843,210
Internal Service Fund	<u>2,148,987</u>
Total governmental activities	8,905,325
Business-type activities	
Loan Fund	<u>2,644,755</u>
Total cash and unrestricted investments	<u><u>\$ 11,550,080</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, 2019, an allowance for doubtful accounts was deemed necessary in the amount of \$287,702. 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, 2019 consisted of:

Loan Type	Principal
Economic Development Agency Revolving Loan Fund	\$ 773,236
Rural Micro Assistance Program	57,231
Rural Development Fund Rounds 1-3	1,245,882
Rural Development Fund Round 4	179,739
Lincoln County Revolving Loan Fund	71,144
Business Investment Fund	<u>124,493</u>
Sub-total	2,451,725
Less allowance for doubtful accounts	<u>(287,702)</u>
Total	2,164,023
Loans in liquidation status	<u>156,212</u>
Total	<u><u>\$ 2,320,235</u></u>

At June 30, 2019, the Council had a total recorded investment in loans classified as "in liquidation" of \$156,212. This balance consists of two Intermediary Relending Program loans to two borrowers. The loans are secured by real property. The Council has no commitments to loan additional funds to the borrowers.

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C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 253,140	\$ -	\$ -	\$ 253,140
Capital assets being depreciated				
Machinery and equipment	2,771,532	64,630	-	2,836,162
Buildings and improvements	3,335,390	20,000	-	3,355,390
Total capital assets being depreciated	6,106,922	84,630	-	6,191,552
Less accumulated depreciation for				
Machinery and equipment	(2,659,335)	(58,405)	-	(2,717,740)
Buildings and improvements	(1,628,262)	(130,267)	-	(1,758,529)
Total accumulated depreciation	(4,287,597)	(188,672)	-	(4,476,269)
Total capital assets being depreciated, net	1,819,325	(104,042)	-	1,715,283
Governmental activities capital assets, net	\$ 2,072,465	\$ (104,042)	\$ -	\$ 1,968,423

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 253,140	\$ -	\$ 253,140
Machinery and equipment	2,836,162	(2,717,740)	118,422
Buildings and improvements	3,355,390	(1,758,529)	1,596,861
Total capital assets	\$ 6,444,692	\$ (4,476,269)	\$ 1,968,423

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.

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D. Deferred Inflows/Outflows of Resources

Deferred inflows and outflows of resources summarized on the statement of net position are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Pension liability - PERS	\$ 4,143,442	\$ 1,316,537
Net OPEB asset - RHIA	32,720	19,918
Net OPEB liability - Medical benefit	1,829	138,383
Total	<u>\$ 4,177,991</u>	<u>\$ 1,474,838</u>

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	<u>\$ 486,751</u>	<u>\$ 74,297</u>	<u>\$ -</u>	<u>\$ 561,048</u>
Business-Type Activities				
Net compensated absences	<u>\$ 12,430</u>	<u>\$ 937</u>	<u>\$ -</u>	<u>\$ 13,367</u>

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%	<u>\$ 650,000</u>	<u>\$ 173,337</u>	<u>\$ -</u>	<u>\$ 43,333</u>	<u>\$ 130,004</u>	<u>\$ 43,333</u>
Business-type activities							
Loans payable							
Revolving Fund #1	1%	\$ 1,500,000	\$ 427,407	\$ -	\$ 60,069	\$ 367,338	\$ 59,959
Revolving Fund #2	1%	1,500,000	486,547	-	-	486,547	59,363
Revolving Fund #3	1%	1,000,000	401,157	-	-	401,157	38,852
Revolving Fund #4	1%	950,000	445,973	-	35,858	410,115	36,123
RMAP Fund	2%	65,000	64,345	-	1,704	62,641	2,741
Total business-type activities		<u>\$ 5,015,000</u>	<u>\$ 1,825,429</u>	<u>\$ -</u>	<u>\$ 97,631</u>	<u>\$ 1,727,798</u>	<u>\$ 197,038</u>

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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
2020	\$ 43,333	\$ 7,736
2021	43,333	5,156
2022	43,338	2,578
	<u>\$ 130,004</u>	<u>\$ 15,470</u>

4. Business-Type Activities Loans Payable

The Revolving Loan Funds #1-4, and RMAP Funds were issued for use in relending programs. Interest is due annually. The Loan Fund has traditionally been used to liquidate the obligations. The loans contain events of default; if the Council is unable to make payments, the lenders may declare the entire principal balance and any unpaid accrued interest due immediately.

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

Fiscal Fiscal Year Ending June 30	Loans		
	Principal	Interest	Total
2020	\$ 197,038	\$ 17,551	\$ 214,589
2021	199,045	12,202	211,247
2022	201,073	13,523	214,596
2023	203,122	11,478	214,600
2024	205,191	9,413	214,604
2025-2029	658,273	21,030	679,303
2030-2034	49,804	3,099	52,903
2035-2037	14,252	845	15,097
	<u>\$ 1,727,798</u>	<u>\$ 89,141</u>	<u>\$ 1,816,939</u>

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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.

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A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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 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, in accordance with *Moro* decision.

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.

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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 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, in accordance with *Moro* decision.

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.

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Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. 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, 2019 were \$1,532,604.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon 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.

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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.

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Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality 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.

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Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Assumed Asset Allocation

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%

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Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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

At June 30, 2019, the Council reported a liability of \$11,305,026 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial 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, 2018 the Council's proportion was 0.07462712%. For the year ended June 30, 2019, the Council recognized pension expense of \$2,013,979. At June 30, 2019, 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	\$ 384,563	\$ -
Changes of assumption	2,628,397	-
Net difference between projected and actual earnings on investments	-	(502,007)
Changes in proportionate share	49,413	(713,988)
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,009	(100,542)
Total (prior to post-MD contributions)	3,087,382	(1,316,537)
Contributions made after the measurement date	1,056,060	-
Total	\$ 4,143,442	\$ (1,316,537)

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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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2020	\$ 1,236,392
2021	\$ 816,760
2022	\$ (290,858)
2023	\$ (25,783)
2024	\$ 34,335

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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

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

1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
\$ 18,892,834	\$ 11,305,026	\$ 5,041,911

Changes Subsequent to the Measurement Date

We are not aware of any changes subsequent to the June 30, 2018 measurement date that meet this requirement and thus would require a brief description under GASB standard.

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C. Other Post-Employment Benefits (GASB 75) RHIA – Oregon PERS Plan

1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan.

Description of Benefit Terms

Plan Benefits – PERS RHIA (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and the Internal Revenue Code Section 401(a).

OPEB Membership

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

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (C) enroll in a PERS-sponsored health plan.

As of June 30, 2018, the inactive RHIA plan participants currently receiving benefits totaled 46,033, and there were 56,200 active and 15,215 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements.

Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined.

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Contributions

Employer contributions for the year ended June 30, 2019 were \$425,723.

OPEB RHIA Plan Comprehensive Annual Financial Report (CAFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the year ended June 30, 2018. That independently audited report was dated March 1, 2019 and can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2019/GASB-75-RHIA-YE-06-30-2018.pdf>

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; disabled retirees: 20%

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Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table.</p>
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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 7.20. 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 RHIA 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 OPEB plan investments for the RHIA was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

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These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Council reported an asset of \$69,391 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The Council's proportion of the net OPEB asset was based on a projection of the Council's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined.

At December 31, 2018 the Council's proportion was 0.06216313%. For the year ended June 30, 2019, the Council recognized OPEB credit of \$6,828. At June 30, 2019, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,933)
Changes of assumption	-	(220)
Net difference between projected and actual earnings on investments	-	(14,961)
Changes in proportionate share	363	(804)
Total (prior to post-MD contributions)	363	(19,918)
Contributions made after the measurement date	32,357	-
Total	\$ 32,720	\$ (19,918)

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Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2018 measurement period is 3.3 years.

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2019.

Other amounts reported by the Council as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2020	\$ (6,612)
2021	\$ (6,470)
2022	\$ (4,986)
2023	\$ (1,487)
2024	\$ -

Sensitivity of the Council's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Council's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the Council's proportionate share of the net OPEB asset would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

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

1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
\$ (40,403)	\$ (69,391)	\$ (94,066)

Changes Subsequent to the Measurement Date

We are not aware of any changes subsequent to the June 30, 2018 measurement date that meet this requirement and thus would require a brief description under GASB standard.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

D. Other Post-Employment Benefits (GASB 75) – Council Medical Benefit Plan

1. Other Post-Employment Benefit (OPEB) Council Medical Benefit Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The Council Medical Benefit Plan consists of a single-employer retiree benefit plan that provides post-employment health, dental, vision, and life insurance benefits to eligible employees and their dependents.

Description of Benefit Terms

Plan Benefits – Implicit Medical Benefit

Plan benefits are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 243. ORS stipulated that for the purpose of establishing health care premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the Council's implicit employer contributions.

The calculated OPEB liability is derived using the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OEB plan reflect a long-term perspective.

Medical Benefit Membership and Eligibility

Benefits and eligibility for members are established through the collective bargaining agreements. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage.

Medical Benefit Duration and Amount

Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

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Participant Statistics

As of June 30, 2019, there were 131 active members and zero retired participants in the Medical Benefit plan. The average age of participants is 45.2 and zero, respectively. The Council did not establish an irrevocable trust (or equivalent arrangement) to account for this plan.

Funding Policy

The benefits from this program are paid by the Council on a self-pay basis and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation on the part of the Council to fund these benefits in advance.

Actuarial Methods and Assumptions:

The Council engaged an actuary to perform an evaluation as of June 30, 2018 using age entry normal, level percent of salary Actuarial Cost Method.

The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Valuation Date	July 1, 2018
Measurement Dates	June 30, 2018
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Interest Discount	3.87 percent discount rate assumption
General Inflation	2.50 percent per year
Salary Scale	3.50 percent per year

Election and lapse rates: 55% of eligible employees – 60% of male members and 35% of female members will elect spouse coverage; 5% annual lapse rate.

Expected healthcare costs were developed using a composite of the premiums due for retirees members electing coverage as of July 1, 2017.

Milliman's Health Cost Guidelines were used to allocate costs by age and gender. Retirees' costs include a load for expected health status of retirees relative to active employees and spouses.

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For the period July 1, 2018 through June 30, 2019, current medical premiums due for retirees and their spouses were modeled using an average monthly premium of \$513 per retiree per month, and \$616 per spouse per month. Dental and vision premiums were modeled using average monthly premiums of \$52 per retiree and \$51 per spouse.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Table for males and females, as appropriate.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Total OPEB Liability at June 30, 2018	\$ <u>382,129</u>
Changes for the year:	
Service cost	37,783
Interest	14,392
Economic/demographic gains or losses	(122,005)
Change in assumptions	(22,892)
Benefit payments	<u>(36,097)</u>
Net changes	<u>(128,819)</u>
Total OPEB Liability at June 30, 2019	\$ <u>253,310</u>

At June 30, 2019, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (103,235)
Changes in assumptions	-	(35,148)
Benefit payments	<u>1,829</u>	<u>-</u>
Total	<u>\$ 1,829</u>	<u>\$ (138,383)</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019.

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June 30, 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2020	\$ (26,140)
2021	\$ (26,140)
2022	\$ (26,140)
2023	\$ (26,140)
2024	\$ (22,678)
Thereafter	\$ (11,145)

Sensitivity of the Net OPEB Liability to Changes in Discount and Trend Rates

The following presents the net OPEB liability, calculated using the discount rate of 3.87%, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 282,621	\$ 253,310	\$ 226,930

The following presents the net OPEB liability, calculated using the trend rate, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 216,145	\$ 253,310	\$ 298,551

E. Concentrations

The Council has labor subject to collective bargaining agreements, approximately 85% of the Council's labor are covered by the current collective bargaining agreement. The current agreement was signed on November 1, 2019 and is effective until September 30, 2021.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

F. New Pronouncements

For the fiscal year ended June 30, 2019, the Council implemented the following new accounting standards:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Council will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after December 15, 2019.

G. Restatement

The District's previously issued financial statements have been restated as follows:

Government-Wide Statements	
	Governmental Activities
Net position - beginning, as originally reported	\$ 4,162,581
To record net OPEB RHIA asset	43,271
Net position - beginning, as restated	\$ 4,205,852

H. Subsequent Events

Management has evaluated subsequent events through May 12, 2020, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
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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)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Council's proportion of the net pension liability (asset)	0.0746271%	0.0821614%	0.0831984%	0.0844982%	0.0754529%
Council's proportionate share of the net pension liability (asset)	\$ 11,305,026	\$ 11,075,384	\$ 12,490,006	\$ 4,851,432	\$ (1,710,301)
Council's covered-employee payroll	\$ 6,937,766	\$ 7,228,670	\$ 6,744,528	\$ 6,041,438	\$ 5,360,714
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	163%	153%	185%	80%	-32%
Plan fiduciary net position as a percentage of the total pension liability (asset)	82%	83%	81%	92%	104%

Schedule of Council Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,532,604	\$ 1,385,369	\$ 1,247,348	\$ 854,162	\$ 746,570
Contributions in relation to the contractually required contribution	<u>(1,532,604)</u>	<u>(1,385,369)</u>	<u>(1,247,348)</u>	<u>(854,162)</u>	<u>(746,570)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 8,514,467	\$ 7,669,931	\$ 6,912,484	\$ 6,041,438	\$ 5,360,714
Contributions as a percentage of covered-employee payroll	18%	18%	18%	14%	14%

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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)

	2019	2018
Council's proportion of the net pension liability (asset)	0.06216313%	0.06448741%
Council's proportionate share of the net pension liability (asset)	\$ (69,391)	\$ (26,913)
Council's covered-employee payroll	\$ 6,937,766	\$ 7,228,670
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-1%	0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	124%	109%

Schedule of Council Contributions

	2019	2018
Contractually required contribution	\$ 425,723	\$ 384,818
Contributions in relation to the contractually required contribution	(425,723)	(384,818)
Contribution deficiency (excess)	\$ -	\$ -
Council's covered-employee payroll	\$ 8,514,460	\$ 7,696,360
Contributions as a percentage of covered-employee payroll	5%	5%

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SCHEDULES OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB)
LIABILITY AND RELATED RATIOS - MEDICAL BENEFIT

COUNCIL MEDICAL BENEFIT PLAN

Schedule of Changes	2019	2018
Total Medical Benefit Pension Liability - beginning	<u>\$ 382,129</u>	<u>\$ 385,119</u>
Changes for the year:		
Service Cost	\$ 37,783	\$ 39,659
Interest	14,392	11,670
Economic/demographic gains or losses	(122,005)	-
Change in assumptions	(22,892)	(23,474)
Benefit Payments	<u>(36,097)</u>	<u>(30,845)</u>
Net changes for the year	<u>(128,819)</u>	<u>(2,990)</u>
Total Medical Benefit Pension Liability - ending	<u>\$ 253,310</u>	<u>\$ 382,129</u>
Council's covered-employee payroll	\$ 8,514,467	\$ 7,228,670
Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	2.98%	5.29%

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

BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Local sources	\$ 2,267,424	\$ 324,181	\$ 2,591,605
EXPENDITURES			
Current			
Personnel services	1,659,684	(121,049)	1,538,635
Materials and services	<u>664,167</u>	<u>(10,024)</u>	<u>654,143</u>
Total expenditures	<u>2,323,851</u>	<u>(131,073)</u>	<u>2,192,778</u>
Excess (deficiency) of revenues over (under) expenditures	(56,427)	455,254	398,827
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balance	(21,427)	420,254	398,827
Fund balance - beginning	<u>21,427</u>	<u>869,912</u>	<u>891,339</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 1,290,166</u></u>	<u><u>\$ 1,290,166</u></u>

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

COMMUNITY DEVELOPMENT FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Local sources	\$ 134,412	\$ (5,055)	\$ 129,357
State grants and contracts	8,879,346	580,071	9,459,417
Federal grants and contracts	591,000	(214,462)	376,538
	<u>9,604,758</u>	<u>360,554</u>	<u>9,965,312</u>
EXPENDITURES			
Current			
Personnel services	2,043,207	(510,935)	1,532,272
Materials and services	8,276,945	37,190	8,314,135
Capital outlay	195,737	(195,737)	-
	<u>10,515,889</u>	<u>(669,482)</u>	<u>9,846,407</u>
Excess (deficiency) of revenues over (under) expenditures	(911,131)	1,030,036	118,905
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
	<u>(911,131)</u>	<u>1,030,036</u>	<u>118,905</u>
Net change in fund balance	911,131	491,294	1,402,425
Fund balance - beginning	<u>911,131</u>	<u>491,294</u>	<u>1,402,425</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,521,330</u>	<u>\$ 1,521,330</u>

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

SENIOR AND DISABILITY SERVICES FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Local sources	1,177,026	\$ (365,209)	811,817
State grants and contracts	2,765,302	(490,489)	2,274,813
Federal grants and contracts	12,235,995	(279,847)	11,956,148
	<u>16,178,323</u>	<u>(1,135,545)</u>	<u>15,042,778</u>
Total revenues			
EXPENDITURES			
Current			
Personnel services	10,395,212	(894,890)	9,500,322
Materials and services	8,089,006	(2,612,094)	5,476,912
Capital outlay	203,000	(175,367)	27,633
	<u>18,687,218</u>	<u>(3,682,351)</u>	<u>15,004,867</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	(2,508,895)	2,546,806	37,911
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	(40,000)	-
Transfers out	(70,000)	70,000	-
	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balance	(2,538,895)	2,576,806	37,911
Fund balance - beginning	2,538,895	3,799,090	6,337,985
Fund balance - ending	<u>\$ -</u>	<u>\$ 6,375,896</u>	<u>\$ 6,375,896</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
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SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

LOAN FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local sources	\$ 384,105	\$ (27,767)	\$ 356,338	\$ (1,871)	\$ 354,467
EXPENSES					
Current					
Personnel services	180,928	(42,028)	138,900	3,770	142,670
Materials and services	190,703	(36,688)	154,015	-	154,015
Debt service	17,620	(8,888)	8,732	(8,732)	-
Total expenses	389,251	(87,604)	301,647	(4,962)	296,685
Excess (deficiency) of revenues over (under) expenses	(5,146)	59,837	54,691	3,091	57,782
OTHER FINANCING SOURCES (USES)					
Transfers in	33,671	(33,671)	-	-	-
Net change in fund balance	28,525	26,166	54,691	3,091	57,782
Net position - beginning	(28,525)	3,055,947	3,027,422	-	3,027,422
Net position - ending	\$ -	\$ 3,082,113	\$ 3,082,113	\$ 3,091	\$ 3,085,204

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

INTERNAL SERVICE FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local sources	\$ 692,153	\$ 30,331	\$ 722,484	\$ -	\$ 722,484
EXPENSES					
Current					
Personnel services	118,589	7,335	125,924	-	125,924
Materials and services	1,595,260	(1,236,334)	358,926	-	358,926
Capital outlay	601,500	(552,223)	49,277	(48,829)	448
Depreciation	-	-	-	147,680	147,680
Debt service	<u>63,333</u>	<u>(9,686)</u>	<u>53,647</u>	<u>(43,334)</u>	<u>10,313</u>
Total expenses	<u>2,378,682</u>	<u>(1,790,908)</u>	<u>587,774</u>	<u>55,517</u>	<u>643,291</u>
Excess (deficiency) of revenues over (under) expenses	(1,686,529)	1,821,239	134,710	(55,517)	79,193
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(1,686,529)	1,821,239	134,710	(55,517)	79,193
Net position - beginning	<u>1,686,529</u>	<u>368,904</u>	<u>2,055,433</u>	<u>1,740,224</u>	<u>3,795,657</u>
Net position - ending	<u>\$ -</u>	<u>\$ 2,190,143</u>	<u>\$ 2,190,143</u>	<u>\$ 1,684,707</u>	<u>\$ 3,874,850</u>

OTHER FINANCIAL SCHEDULES

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF NET POSITION

LOAN FUND

June 30, 2019

	Lending Operations	Linn Benton RLF	Business Investment	Rural Development 1-3	Rural Development 4	Revolving Loan	RMAP Loan	Lincoln County Revolving Loan	Total
ASSETS									
Cash and investments	\$ 196,389	\$ 88,047	\$ 481,986	\$ 792,526	\$ 291,796	\$ 222,797	\$ 14,906	\$ 556,306	\$ 2,644,753
Accounts receivable	23,680	-	-	-	-	-	-	-	23,680
Loans receivable, net	<u>4,500</u>	<u>-</u>	<u>80,493</u>	<u>1,145,882</u>	<u>129,739</u>	<u>697,036</u>	<u>57,231</u>	<u>49,144</u>	<u>2,164,025</u>
Total assets	<u>224,569</u>	<u>88,047</u>	<u>562,479</u>	<u>1,938,408</u>	<u>421,535</u>	<u>919,833</u>	<u>72,137</u>	<u>605,450</u>	<u>4,832,458</u>
LIABILITIES									
Accounts payable	589	-	-	-	-	-	-	-	589
Other liabilities	5,500	-	-	-	-	-	-	-	5,500
Compensated absences	13,367	-	-	-	-	-	-	-	13,367
Loans payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,255,042</u>	<u>410,115</u>	<u>-</u>	<u>62,641</u>	<u>-</u>	<u>1,727,798</u>
Total liabilities	<u>19,456</u>	<u>-</u>	<u>-</u>	<u>1,255,042</u>	<u>410,115</u>	<u>-</u>	<u>62,641</u>	<u>-</u>	<u>1,747,254</u>
NET POSITION									
Unrestricted	<u>\$ 205,113</u>	<u>\$ 88,047</u>	<u>\$ 562,479</u>	<u>\$ 683,366</u>	<u>\$ 11,420</u>	<u>\$ 919,833</u>	<u>\$ 9,496</u>	<u>\$ 605,450</u>	<u>\$ 3,085,204</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, 2019

	RDF 1-3 Loan	RDF 4 Loan	Total
REVENUES			
Loan interest	\$ 68,279	\$ 2,403	\$ 70,682
Bank interest	1,683	599	2,282
Loan packaging fees	<u>1,583</u>	<u>508</u>	<u>2,091</u>
Total revenues	<u>71,545</u>	<u>3,510</u>	<u>75,055</u>
EXPENSES			
Interest payment	4,276	4,456	8,732
Administration expense	<u>46,430</u>	<u>2,815</u>	<u>49,245</u>
Total expenses	<u>50,706</u>	<u>7,271</u>	<u>57,977</u>
Excess (deficiency) of revenues over (under) expenses	20,839	(3,761)	17,078
Net position - beginning	<u>662,527</u>	<u>15,181</u>	<u>677,708</u>
Net position - ending	<u><u>\$ 683,366</u></u>	<u><u>\$ 11,420</u></u>	<u><u>\$ 694,786</u></u>

**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, 2019, and have issued our report thereon dated May 12, 2020. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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

May 12, 2020

SINGLE AUDIT SECTION

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Rural Economic Community Development Administration			
Intermediary Relending Program 1-3 (see notes to SEFA)	N/A	10.767	\$ 2,223,359
Intermediary Relending Program 4 (see notes to SEFA)	N/A	10.767	743,601
Rural Microentrepreneur Assistance Program (see notes to SEFA)	N/A	10.870	83,418
Total U.S. Department of Agriculture			<u>3,050,378</u>
<u>U.S. Department of Transportation</u>			
Passed through Oregon Department of Transportation			
Highway Planning and Coordination	19138	20.205	442,615
Highway Planning and Coordination (MPO-FHT)	19138	20.505	53,503
Total U.S. Department of Transportation			<u>496,118</u>
<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 VII, Chapter 3 Programs for Prevention of Elder Abuse	85090	93.041	3,135
Title III-B, Grants for Supportive Services and Senior Centers	85090	93.044	350,822
Title III-C-1, Nutrition Services, Congregate Meals	85090	93.045	473,171
Title III-C-2, Nutrition Services, Home Meals	85090	93.045	234,793
USDA - NSIP	85090	93.053	102,257
Total Aging Cluster			<u>1,164,178</u>
Title III-E, National Family Caregiver Support Program	85090	93.052	233,608
Title III-F, Preventative Health Services	85090	93.043	21,213
Senior Meals Program	85090	93.048	10,000
Medical Assistance Program	85090	93.778	207,758
SHIBA/SHIP (RSVP)	85090	93.324	17,655
Total U.S. Department of Health and Human Services			<u>1,654,412</u>
<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	129,777
Foster Grandparent Program	85090	94.011	142,151
Total Corporation for National and Community Service			<u>271,928</u>
<u>U.S. Department of Commerce</u>			
Economic Development Administration			
Support for Planning Organizations	N/A	11.302	75,000
Economic Adjustment Assistance (see notes to SEFA)	N/A	11.307	662,788
Total U.S. Department of Commerce			<u>737,788</u>
Total federal expenditures			<u>\$ 6,210,624</u>

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

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, 2019. 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, 2019.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

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. Sub-recipients

No amounts were passed through to sub-recipients during the fiscal year.

G. Loan Programs

1. US Department of Agriculture, Intermediary Relending Program Rounds 1-3

Value of new federal loans received during the fiscal year	\$ -
Balance of loans from prior years for which the Federal Government imposes continuing compliance requirements - July 1 balances	1,314,441
+ Interest earned during the year	69,962
+ Cash balance in IRP at 06/30/2018	792,526
+ Administrative expenses of IRP	46,430
Total federal awards expended - Intermediary Relending Program 1-3	<u>\$ 2,223,359</u>

2. US Department of Agriculture, Intermediary Relending Program Round 4

Value of new federal loans received during the fiscal year	\$ -
Balance of loans from prior years for which the Federal Government imposes continuing compliance requirements - July 1 balances	445,988
+ Interest earned during the year	3,002
+ Cash balance in IRP at 06/30/2018	291,796
+ Administrative expenses of IRP	2,815
Total federal awards expended - Intermediary Relending Program 4	<u>\$ 743,601</u>

3. Economic Adjustment Assistance Revolving Loan Fund

RLF loans outstanding at 06/30/2018	\$ 773,236
+ Cash balance in RLF at 06/30/2018	222,797
+ Administrative expenses paid from RLF income during 06/30/18	32,024
+ Unpaid principal of all loans written off during current year	-
Total	1,028,057
x Federal share of the RLF	0.6447
= Federal Awards Expenses	<u>\$ 662,788</u>

4. US Department of Agriculture, Rural Microentrepreneur Assistance Program

Value of new federal loans received during the fiscal year	\$	-
Balance of loans from prior years for which the Federal Government imposes continuing compliance requirements - July 1 balances		65,000
+ Interest earned during the year		4,369
+ Cash balance in RMAP at 06/30/2018		13,906
+ Administrative expenses of RMAP		<u>143</u>
Total federal awards expended - RMAP	\$	<u><u>83,418</u></u>



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, 2019, 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 May 12, 2020.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

Albany, Oregon
May 12, 2020



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, 2019. 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 the Uniform Guidance 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, 2019.

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 identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Oregon Cascades West Council of Governments response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

Albany, Oregon
May 12, 2020

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
Albany, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
· Material weaknesses identified?	Yes
· 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	Highway Planning and Construction
94.011	Foster Grandparent Program

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

II. FINDINGS AND QUESTIONED COSTS

Finding Number	Finding
2019-001	Schedule of Federal Awards as prepared by client was materially misstated. Lending Program expenditures were incorrectly determined.
Criteria:	The schedule of expenditures of federal awards should include all programs, with expenditures calculated in accordance with the Uniform Guidance.
Condition:	The client failed to calculate lending program expenditures in accordance with the Uniform Guidance guidelines.
Prevalence:	Noted in current fiscal year only.
Questioned costs:	None
Effect:	Miscalculation of major programs and coverage of testing.
Recommendations:	We recommend additional training for staff involved in preparing the Schedule of Expenditures of Federal Awards. We also recommend additional review of the schedule prior to presentation for audit.
Management's response:	OCWCOG had new staff working in the system where we record CFDA numbers that were not aware of the need to record these numbers when entering into the tracking system. Due to this issue the CFDA number for a new Senior Corp award (Senior Companion) was not pulled and included in the Schedule of Federal Award. Training has been provided to these staff to ensure we can pull the proper information for the Schedule of Federal Award annually. These staff were not aware of the Uniform Guidance update, as they were new and as the Finance Director failed see that they did not understand the process. Staff have had external training on Uniform Guidance once we realized the deficiency.

Finding Number	Finding
2019-002	Schedule of Federal Awards as prepared by client did not include Federal Lending Program for Rural Microentrepreneur Assistance Program.
Criteria:	All Federal programs should be included on the Schedule of Federal Awards.
Condition:	The client failed to include program expenditures for the Rural Microentrepreneur Assistance Program on the Schedule of Expenditures of Federal Awards in accordance with the Uniform Guidance guidelines.
Prevalence:	Noted in current fiscal year only.
Questioned costs:	None
Effect:	Miscalculation of major programs and coverage of testing.
Recommendations:	We recommend additional training for staff involved in preparing the Schedule of Expenditures of Federal Awards. We also recommend additional review of the schedule prior to presentation for audit.
Management's response:	OCWCOG had new staff working in the system where we record CFDA numbers that were not aware of the need to record these numbers when entering into the tracking system. Due to this issue the CFDA number for a new Business Lending Program award (Federal Micro Lending) was not pulled and included in the Schedule of Federal Award. Training has been provided to these staff to ensure we can pull the proper information for the Schedule of Federal Award annually. These staff were not aware of the Uniform Guidance update, as they were new and as the Finance Director failed see that they did not understand the process. Staff have had external training on Uniform Guidance once we realized the deficiency.

Finding Number	Finding
2019-003	Accounts payable balance was understated, prepaid balance was overstated in financials prepared by client.
Criteria:	Year end close of financial records should include reconciliation of all significant balances.
Condition:	Year end balances for accounts payable and prepaid expenses were misstated due to lack of reconciliation and review of subsequent transactions when the financial close was performed.
Prevalence:	Appears to be isolated to year-end close procedures.
Questioned costs:	None
Effect:	Expenses were understated by \$142,120 in balances presented for audit by client.
Recommendations:	We recommend client implement additional review of year end balances, including review of subsequent transactions for proper inclusion in the financial statements.
Management's response:	OCWCOG offers a Health Savings Account program to employees that was not being balance according to the Standard Operating Procedure. With new staff working in the Finance Manager and Payroll position there was a major piece of the recording expenses. This was for this specific piece of information as it related to the balance sheet only, all bank reconciliations properly reflected the expense. We have written and are following a process each month to reconcile the balance sheet to ensure accuracy. There was an error in the Veterans Service Program, where a Veteran should have received services was denied. When the error was uncovered there was a back payment that was OCWCOG's responsibility that was recorded to the prepaid account to offset the expense in the calendar year. This not the proper use of the prepaid account. We have set up a double review for all items that are being recorded to the prepaid accounts moving forward.

III. CORRECTIVE ACTION PLAN

Finding Number	Corrective Action Plan
2019-001	OCWCOG staff responsible for Uniform Guidance and preparing the Schedule of Federal Award attended a two day training on Federal Grants Management Update 2019 and Super Circular in December of 2019. We have developed a new process internally to ensure that all Federal Grant and Contracts are recorded properly and accurately.
2019-002	OCWCOG staff responsible for Uniform Guidance and preparing the Schedule of Federal Award attended a two day training on Federal Grants Management Update 2019 and Super Circular in December of 2019. We have developed a new process internally to ensure that all Federal Grant and Contracts are recorded properly and accurately.
2019-003	New-year end process has been included in balancing all balance sheet accounts. COG has had many new staff completing the year-end review that did not complete the process. We have written a new Standard Operating Procedure for mid-year Health Savings Account contributions to ensure that all payments are captured in the balance sheet. Prepaid expense had an expense recorded that was not eligible for use of this account. Review of expenses being charged to prepaid expense are being done prior to payment.