



Certified Public Accountants

November 27, 2018

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West Linn, OR 97068-4198
503-723-7600 503-723-5100 FAX

To the Board of Directors
Clackamas 800 Radio Group
Clackamas County, Oregon

We have audited the financial statements of the governmental activities and major fund of Clackamas 800 Radio Group for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 20, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clackamas 800 Radio Group are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the prior period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation expenses.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Clackamas 800 Radio Group's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Clackamas 800 Radio Group's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consists of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

The budgetary comparison schedules presented as Required Supplementary Information have 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Clackamas 800 Radio Group and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Jarrard, Seibert, Pollard & Company, LLC
Certified Public Accountants

CLACKAMAS 800 RADIO GROUP
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

CLACKAMAS 800 RADIO GROUP

YEAR ENDED JUNE 30, 2018

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CLACKAMAS 800 RADIO GROUP
CLACKAMAS COUNTY, OREGON

JUNE 30, 2018

Deputy Chief Randy Hopperstad City of Gladstone	Chief Jim Davis Canby Fire District
Chief Bret Smith City of Canby	Chief Deputy James Rhodes Clackamas County
Sue Scobert City of Lake Oswego	Chief Gary Anderson Colton Fire
Assistant Chief Mark Havener Tualatin Valley Fire & Rescue	Chief Steve Bartol, 1st Vice Chair City of Milwaukie
SFF Joe Schwab Hoodland Fire	Chief Rod Lucich City of Molalla
Chief Vance Stafford Molalla Fire District	Chief Jim Band City of Oregon City
Deputy Chief Ryan Hari, Chair Clackamas Fire District #1	Chief Earnie Roberts City of Sandy
Chief Bob Morrissey 2 nd Vice Chair Estacada Fire District	Capt. Neil Henley City of West Linn
Chief Phil Schneider Sandy Fire District	Philip Mason Clackamas County Health

Administration

John Hartsock, Manager

Address

11300 SE Fuller Road
Milwaukie, Oregon 97222

INDEPENDENT AUDITORS' REPORT

Board of Directors
Clackamas 800 Radio Group
Clackamas County, Oregon

We have audited the accompanying financial statements of the governmental activities and major fund of the Clackamas 800 Radio Group ("Group") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Group as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although 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, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are 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 the Group's financial statements. The other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The listing of board members, located before the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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 November 27, 2018, on our consideration of Clackamas 800 Radio Group's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to consider an opinion on compliance.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants

West Linn, Oregon
November 27, 2018

By 
Russell T. Ries, Partner

**CLACKAMAS 800 RADIO GRUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This discussion and analysis presents the highlights of financial activities and financial position for the Clackamas 800 Radio Group (C800). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting C800.

Management's Discussion and Analysis focuses on current year activities and resulting changes. Please read it in conjunction with C800's financial statements.

REPORT LAYOUT

C800's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the organization. The components of the report include the following:

- **Management's Discussion and Analysis:** This section of the report provides financial highlights, overview and economic factors affecting C800.
- **Basic Financial Statements** includes Statement of Net Position, Statement of Activities, Fund Financial Statements and the notes to the financial statements. Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for C800.
 - The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets C800 owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
 - The Statement of Activities focuses on gross and net costs of C800 programs and the extent to which such programs rely upon partner income and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
 - Fund Financial Statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding C800's financial condition.

This discussion and analysis presents the highlights of financial activities and financial position for the Clackamas 800 Radio Group (C800). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting C800.

FINANCIAL ANALYSIS

The 2017-2018 revenues (including special items) show a \$16,107,785 increase primarily due to replacement project bond funding.

Operating expenses increased overall by \$4,449,991. This was due to Motorola radios acquired during 2018.

C800 is funded by user fees on a per radio device basis. The allocation is developed by assembling all of the budgeted costs, and then dividing that number by the number of radios to develop the per radio cost. The budget is based on actual costs from the previous year with estimated increases in fixed costs such as utilities, and estimates of other anticipated expenses such as radio maintenance.

SIGNIFICANT TRANSACTIONS AND CHANGES IN INDIVIDUAL FUNDS

General Fund balance increased during FY 2017-2018 primarily due to replacement project bond funding.

The current year revenue from the partners was sufficient to cover current year operating costs (excluding capital outlay related to construction in progress).

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET

General Fund expenditures came in at \$28,827,421 less than the final budget, and significant differences between final adopted budget and actual expenditures include the following:

- Appropriations exceeded capital outlay expenditures by \$28,612,755.

CAPITAL ASSET ACTIVITY

At June 30, 2018, the Group had approximately \$11,228,000 invested in capital assets.

The total increase in investment in capital assets for the current fiscal year was \$4,968,000. The governmental type capital assets increase of \$6,639,239 (radio replacement project/construction in progress) was offset by the depreciation expense of \$1,298,921 and an impairment loss of \$370,756.

LONG TERM DEBT ACTIVITY

At the end of the current fiscal year, the Group had no debt outstanding.

CONDENSED FINANCIAL INFORMATION

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase/ Decrease</u>
Current assets (cash/receivables/ deferred maintenance)	\$ 7,769,212	\$ 772,020	\$ 6,997,192
Fixed assets, net of depreciation	<u>11,228,000</u>	<u>6,258,438</u>	<u>4,969,562</u>
Total assets	<u>18,997,212</u>	<u>7,030,458</u>	<u>11,966,754</u>
Other liabilities	236,478	592,800	(356,322)
Long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>236,478</u>	<u>592,800</u>	<u>(356,322)</u>
Net position			
Investment in capital assets	11,228,000	6,258,438	4,969,562
Restricted for construction	7,346,084		7,346,084
Unrestricted	<u>186,650</u>	<u>179,220</u>	<u>7,430</u>
Total Net Position	<u>\$ 18,760,734</u>	<u>\$ 6,437,658</u>	<u>\$ 12,323,076</u>
Revenues			
Program Revenue			
Charges for service:			
Partner fees	\$ 3,388,945	\$ 952,268	\$ 2,436,677
Other revenues	93,689	148,012	(54,323)
General Revenues:			
Miscellaneous	13,616	18,154	(4,538)
Special Item:			
Replacement project bond funding	<u>15,606,939</u>	<u>1,876,970</u>	<u>13,729,969</u>
Total revenues	19,103,189	2,995,404	16,107,785
Public safety	<u>6,780,113</u>	<u>2,330,122</u>	<u>4,449,991</u>
Total expenditures	6,780,113	2,330,122	4,449,991
Increase (Decrease) in Net Position	<u>\$ 12,323,076</u>	<u>\$ 665,282</u>	<u>\$ 11,657,794</u>

FINANCIAL CONTACT

C800's financial statements are designed to present radio system users with a general overview of C800's finances and to demonstrate C800's accountability. If you have questions about the report or need additional financial information, please contact John Hartsock, Manager Clackamas 800 Radio Group, c/o Fire District #1, 11300 SE Fuller Road, Milwaukie, OR 97222.

CLACKAMAS 800 RADIO GROUP
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,020,452
Receivables	750,052
Prepays	186,650
Deferred maintenance charges	5,812,058
Capital assets:	
Construction in progress	8,003,795
Depreciable assets (net of depreciation)	<u>3,224,205</u>
Total assets	<u>18,997,212</u>
 LIABILITIES AND NET POSITION	
Liabilities	
Accounts payable	<u>236,478</u>
 NET POSITION	
Invested in capital assets	17,040,058
Unrestricted	<u>1,720,676</u>
 Total net position	 <u><u>\$ 18,760,734</u></u>

(See accompanying notes to basic financial statements)

**CLACKAMAS 800 RADIO GROUP
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

		<u>Program Revenues</u>		Net (Expense) Revenues and Changes in Net Position
<u>Program Activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities				
Public Safety	\$ 6,780,113	\$ 3,482,634	\$ -	\$ (3,297,479)
General Revenues				
Lease revenue				13,495
Investment earnings				121
Special item – replacement project bond funding				15,606,939
Total general revenues and special items				15,620,555
CHANGE IN NET POSITION				12,323,076
NET POSITION, beginning				6,437,658
NET POSITION, ending				\$ 18,760,734
Reconciliation of Net Change in Fund Balance to Net Change in Net Position on the Statement of Activities				
Net Change in Fund Balance				\$ 7,353,514
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the capital assets:				
Capital assets purchased and capitalized				6,639,239
Capital assets impaired				(370,756)
Depreciation expense				(1,298,921)
Net Change in Net Position				\$ 12,323,076

(See accompanying notes to basic financial statements)

**CLACKAMAS 800 RADIO GROUP
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2018**

	General <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,020,452
Receivables	750,052
Prepays	186,650
Deferred maintenance charges	5,812,058
Total assets	<u>\$ 7,769,212</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>\$ 236,478</u>
 FUND BALANCE	
Nonspendable	5,998,708
Unassigned	1,534,026
Total fund balances	<u>7,532,734</u>
 Total liabilities and fund balance	<u>\$ 7,769,212</u>
 Reconciliation of total fund balance to net assets on the Statement of Net Position:	
Total fund balance	\$ 7,532,734
Capital assets used in governmental activities, net of accumulated depreciation are not financial resources and, therefore are not reported in the fund.	<u>11,228,000</u>
Total Net Position	<u>\$ 18,760,734</u>

(See accompanying notes to basic financial statements)

CLACKAMAS 800 RADIO GROUP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund
REVENUES:	
Partners Debt Service Appointment	\$ 93,689
Partners Fees/Contracts	3,388,945
Miscellaneous	13,495
Interest on Investments	121
Total Revenues	<u>3,496,250</u>
EXPENDITURES:	
WCCCA Fees	695,404
Site Rental	136,561
Utilities	59,778
Insurance	24,238
Office Supplies	140
Fuel/Generators	-
HVAC Maintenance	6,442
Landscape Maintenance	4,710
Generator Maintenance	11,381
UPS Maintenance	1,530
Battery Maintenance	-
Miscellaneous Costs	2,655
Consultant Services	34,602
Radio Maintenance Fees	64,417
Legal Services	13,738
Financial Services	6,908
Audit Fees	5,850
Regional Radio	-
Meeting Expense	388
Total Materials and Services	<u>1,068,742</u>
Debt Service	93,688
Capital Outlay	<u>10,587,245</u>
Total Expenditures	<u>11,749,675</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,253,425)
Special Item:	
Replacement Project Bond Funding	<u>15,606,939</u>
Net Change in Fund Balance	7,353,514
FUND BALANCE, beginning	<u>179,220</u>
FUND BALANCE, ending	<u>\$ 7,532,734</u>

(See accompanying notes to basic financial statements)

**CLACKAMAS 800 RADIO GROUP
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Clackamas 800 Radio Group (the "Group") financial reporting entity is composed solely of the primary government. In determining the financial reporting entity, the Group complies with the provisions of GASB. There are no other entities for which the Group has responsibility, exercises control, is financially accountable for, and has a financial benefit or burden relationship.

The Group is governed by a Board of Directors, consisting of eighteen members. Clackamas County has issued bonded debt for the purpose of upgrade and expansion of the public safety communication system throughout Clackamas County for the benefit of the Group's partners. The Group collects fees for debt service and operations from its participating partners. Upon the Clackamas County bonded debt obligation being paid off, the County has assigned the radio system infrastructure to the Group. The towers and radio backbone are reported as capital assets of the Group.

Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions."

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Group's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Group's general revenues.

The Group reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

Fund Financial Statements

The accounts of the Group are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

CLACKAMAS 800 RADIO GROUP
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Governmental Fund Types

Governmental funds are used to account for the Group's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Group reports the following governmental fund:

General Fund

This fund accounts for all financial resources and expenditures of the Group. The principal revenue source is from reimbursements from the partners.

Radio Group Operations

Generally accepted accounting principles (GAAP) allow a choice of funds and accounting measurement focus. Governmental fund accounting is allowed where determination of financial position and changes in financial position is the measurement focus. Proprietary fund accounting is allowed where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Governing Board of the Group measures the operation of its emergency communication service by determining financial position and changes in financial position, and therefore uses governmental fund accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

CLACKAMAS 800 RADIO GROUP
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Cash and Cash Equivalents

For financial reporting purposes, the Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include land, buildings, equipment and construction in progress, are reported in the government wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated Capital assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives: Buildings – 50 years and Equipment 5 to 20 years.

Net Position

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of external constraints placed on asset use by creditors, grantors, contributors, laws or regulations of other governments or constraints through constitutional provisions or enabling legislation.

Unrestricted net position – consists of all other assets not included in the other categories previously mentioned.

Fund Equity

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

**CLACKAMAS 800 RADIO GROUP
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Authority to classify portions of ending fund balance as Assigned has been given to the Manager and Finance Director.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, BUDGETARY INFORMATION:

Clackamas 800 Radio Group is organized as an intergovernmental entity under ORS 190.010 and is exempt from the provisions of Oregon Budget Law. However, the Group does prepare a budget which is reflected in the budgetary Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.

NOTE C – CASH AND INVESTMENTS:

Cash consisted of:

Deposits with a Financial Institution:

Demand Deposits, Non-interest

bearing - Checking

\$ 996,162

CLACKAMAS 800 RADIO GROUP
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE C – CASH AND INVESTMENTS (Continued):

Investments

Oregon Revised Statutes (294.035) and Group policy authorize the authority to invest in obligations of the U.S. Treasury and agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, and the State of Oregon Local Government Investment Pool. Such investments are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method, which approximates fair value. The Group had no investments at June 30, 2018.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The Group does not have any investments.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Custodial Credit Risk

At year-end, the Group's net carrying amount of deposits was \$1,020,452 and the bank balance was \$1,798,159. Of these deposits, \$250,000 was covered by federal depository insurance and the remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and District policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. Currently all banks are required to post 100% collateral.

NOTE D – CAPITAL ASSETS:

The changes in capital assets for the fiscal year ended June 30, 2018 are as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Governmental Activities:				
Non-depreciable assets:				
Construction In Process	\$ 1,735,312	\$ 6,639,239	\$ 370,756	\$ 8,003,795
Depreciable assets:				
Radio Backbone	2,520,899	-	-	2,520,899
Buildings and towers	10,956,645	-	-	10,956,645
Equipment	704,983	-	-	704,983
	14,182,527	-	-	14,182,527
Accumulated Depreciation:				
Radio Backbone	1,061,432	132,679	-	1,194,111
Buildings and towers	8,348,627	1,095,744	-	9,444,371
Equipment	249,342	70,498	-	319,840
	9,659,401	1,298,921	-	10,958,322
Net Capital Assets	\$ 6,258,438			\$ 11,228,000

**CLACKAMAS 800 RADIO GROUP
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE D – CAPITAL ASSETS (Continued):

Commitments under construction contracts approximated \$24,537,000 at June 30, 2018.

Public safety expenses include an impairment loss of \$371,000 for construction costs related to delivery of twelve communication shelters. The project was abandoned due to vendor insolvency.

On May 17, 2016 voters approved Bond Measure 3-476 authorizing Clackamas County to issue general obligation bonds totaling \$59 million to construct a new P25 open source digital radio system.

NOTE E – ZONE CONTROLLER AGREEMENT:

The Radio Group and Washington County Communications Agency jointly acquired a new SMARTX Zone Controller in 2011-2012. The equipment was financed by Washington County through a seven year equipment lease purchase debt offering. WCCCA and C800 shall pay their portions, 66% and 34%, respectively, of this financing. C800 will pay Washington County \$93,688 a year until 2018-2019. When Washington County makes the last payment in October of 2018 the asset ownership will transfer to WCCCA and C800. The debt is the responsibility of Washington County.

NOTE F – RISK MANAGEMENT:

The Group is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Group purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

NOTE G – OPERATING LEASE COMMITMENTS:

The Group has commitments to lease certain radio site locations. Future minimum rental commitments for the leases as of June 30, 2018 are as follows:

2019	\$ 158,034
2020	162,628
2021	167,376
2022	133,262
2023	105,712
Thereafter	<u>583,450</u>
	<u>\$1,310,462</u>

**CLACKAMAS 800 RADIO GROUP
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE H – INTERGOVERNMENTAL AGREEMENT:

Clackamas County Public Safety Radio System Replacement Project Bond Funding

The Agreement defines the respective roles and responsibilities of Clackamas County and C800 with respect to the Public Safety Radio System Replacement Project and any subsequent activities related to the bond funding. As the entity responsible for the bond funding, the County will retain management control and oversight of all bond related expenditures and compliance with laws, policies, debt covenants, and procedures, and C800 covenants to comply with the same. Once completed, the Project will replace and enhance the current county-wide two-way 800MHz radio system. The Project also includes an allowance for helping agencies purchase subscriber radio equipment, such as portable, mobile, and/or control station radios as needed by the personnel of the individual agencies comprising C800 to utilize the system. Construction is anticipated to be completed with the radio system in service by the end of June 2019. The cost of the Project is projected not to exceed \$59,000,000, including financing-related costs. The County's role is to provide overall oversight and fiscal administration of the bonds. C800's role is to provide responsible project management of the public safety radio system upgrade and radio replacement elements through its Board and assigned staff representatives. Requests by C800 for bond disbursement to reimburse Project expenses that are within the agreed upon scope, cost, and timeline of the Project require joint approval by the County Lead and Finance Director. C800 will own all assets purchased or constructed with bond proceeds and will account for such assets in its accounting records.

REQUIRED SUPPLEMENTARY INFORMATION

CLACKAMAS 800 RADIO GROUP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Partners Debt Service Appt.	\$ 93,689	\$ 93,689	\$ 93,689	\$ -
Partners Fees/Contracts	1,027,253	1,027,253	3,388,945	2,361,692
Miscellaneous	46,000	46,000	13,495	(32,505)
Interest on Investments	100	100	121	21
Total revenues	<u>1,167,042</u>	<u>1,167,042</u>	<u>3,496,250</u>	<u>2,329,208</u>
EXPENDITURES:				
WCCCA Fees	679,394	679,394	695,404	(16,010)
Site Rental	211,702	211,702	136,561	75,141
Utilities	75,000	75,000	59,778	15,222
Insurance	29,000	29,000	24,238	4,762
Office Supplies	3,000	3,000	140	2,860
Fuel/Generators	1,500	1,500	-	1,500
HVAC Maintenance	9,000	9,000	6,442	2,558
Landscape Maintenance	6,000	6,000	4,710	1,290
Generator Maintenance	9,000	9,000	11,381	(2,381)
UPS Maintenance	5,000	5,000	1,530	3,470
Battery Maintenance	5,000	5,000	-	5,000
Miscellaneous Costs	3,500	3,500	2,655	845
Consultant Services	30,000	30,000	34,602	(4,602)
Radio Maintenance Fees	40,000	40,000	64,417	(24,417)
Legal Services	6,000	6,000	13,738	(7,738)
Financial Services	8,000	8,000	6,908	1,092
Audit Fees	8,000	8,000	5,850	2,150
Regional Radio	1,500	1,500	-	1,500
Meeting Expense	2,500	2,500	388	2,112
Total Materials & Services	<u>1,133,096</u>	<u>1,133,096</u>	<u>1,068,742</u>	<u>64,354</u>
Operating Contingency	50,000	50,000	-	50,000
Debt Service	94,000	94,000	93,688	312
Capital Outlay	39,200,000	39,200,000	10,587,245	28,612,755
Capital Reserves	100,000	100,000	-	100,000
Total Expenditures	<u>40,577,096</u>	<u>40,577,096</u>	<u>11,749,675</u>	<u>28,827,421</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,410,054)	(39,410,054)	(8,253,425)	31,156,629
Special Item:				
Replacement Project Bond Funding	39,750,000	39,750,000	15,606,939	(24,143,061)
Net change in Fund Balance	339,946	339,946	7,353,514	7,013,568
FUND BALANCE, Beginning	334,113	334,113	179,220	(154,893)
FUND BALANCE, Ending	\$ 674,059	\$ 674,059	\$ 7,532,734	\$ 6,858,675

**CLACKAMAS 800 RADIO GROUP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information

The District prepares its annual operating budget under the provisions of the Oregon Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

Local Budget law process requires that certain, specific actions must happen as a local government prepares its annual budget. The process can be broken down into four phases.

Phase 1 begins the process. The budget officer puts together a proposed budget. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.

Phase 2 is when the budget committee approves the budget. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

Phase 3 includes adopting the budget and, when appropriate, certifying property taxes to the county tax assessor. This phase includes a special hearing of the government body and specific public notices, including a summary of the approved budget. Special forms must also be used to notify the county assessor of the local government's property tax levy.

Phase 4 occurs during the fiscal year when the local government is operating under the adopted budget. This phase includes changes to the adopted budget. Changes to the adopted budget must be made before additional money is spent or money is spent for a different purpose than described in the adopted budget.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level of control by department within a fund:

- Personal Services
- Material and Supplies
- Capital Reserves
- Capital Outlay
- Debt Service
- Operating Contingency

All transfers of appropriations between departments and supplemental appropriations require Board approval. The Director may transfer appropriations between object categories within a department without Board approval. Supplemental appropriations must also be filed with the Office of State Auditor and inspector.

Basis of Accounting

The budget is prepared on the modified cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions.

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



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

We have audited the basic financial statements of Clackamas 800 Radio Group, as of and for the year ended June 30, 2018, and have issued our report thereon dated November 27, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Clackamas 800 Radio Group's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 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 statements 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.

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Authorized investment of surplus funds (ORS Chapter 294).

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

In connection with our testing nothing came to our attention that caused us to believe the Clackamas 800 Radio Group was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

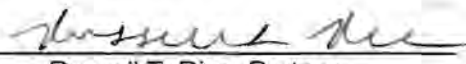
In planning and performing our audit, we considered Clackamas 800 Radio Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clackamas 800 Radio Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clackamas 800 Radio Group'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors and management of Clackamas 800 Radio Group and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants
West Linn, Oregon

By 
Russell T. Ries, Partner

November 27, 2018