

**KLAMATH 9-1-1 EMERGENCY
COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the fiscal year ended June 30, 2020**

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
TABLE OF CONTENTS
June 30, 2020

Introductory Section

District Officials

Financial Section

Independent Auditors' Report 1-2

Management's Discussion and Analysis 3-8

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position 9

Statement of Activities 10

Fund Financial Statements:

Balance Sheet - Governmental Funds 11

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 12

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 13

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities 14

Notes to the Financial Statements 15-36

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund 37

Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions 38

Schedules of Proportionate Share of the Net Other Post-Employment Benefits (OPEB) Liability
and Employer Contributions 39

Notes to the Required Supplementary Information 40

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
TABLE OF CONTENTS
June 30, 2020

Other Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Equipment Reserve Fund	41
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Facilities Maintenance and Repairs Fund	42
 State of Oregon Compliance Section	
Independent Auditors' Report Required by Oregon State Regulations	43-44

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
June 30, 2020

BOARD OF DIRECTORS

Dave Burnett – Chairman
27479 Hwy 97 N
Chiloquin, OR 97624

Randy Sword – Vice-Chairman
4808 Darwin Place
Klamath Falls, OR 97603

Larita Ongman – Clerk
P.O. Box E
Merrill, OR 97633

Stephen Schelb – Board Member
12110 Lupine Lane
Klamath Falls, OR 97603

Elizabeth Lucht – Board Member
4867 Harlan Drive
Klamath Falls, OR 97603

Chuck Brandsness – Board Member
450 Fulton Street
Klamath Falls, OR 97601

Dolores Edson – Board Member
5017 Lawanda Dr.
Klamath Falls OR 97603

EXECUTIVE DIRECTOR

Keith Endacott

REGISTERED AGENT

Keith Endacott
2543 Shasta Way
Klamath Falls, OR 97601

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Klamath 9-1-1 Emergency Communications District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Klamath 9-1-1 Emergency Communications District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 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. 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, each major fund, and the aggregate remaining fund information of the Klamath 9-1-1 Emergency Communications District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance 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 required supplementary information, as listed in the table of contents 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 proportionate share of the net pension liability and employer contributions, and schedules of proportionate share of the net other post-employment benefits liability and employer contributions 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedule of revenues, expenditures and changes in fund balance—budget and actual of the general fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Klamath 9-1-1 Emergency Communications District's basic financial statements. The introductory section and other supplementary 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 other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 as a whole.

The introductory section 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 September 9, 2020, on our consideration of the District'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 provide an opinion on compliance.

WISE & Co., LLP



Dianne E. Spires, Director
Klamath Falls, Oregon
September 9, 2020

**KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

As management of the Klamath 9-1-1 Emergency Communications District (the District), we offer readers of the District's financial statements this discussion and analysis of the District's financial performance and activities for the fiscal year ended June 30, 2020. This discussion also includes currently known facts, decisions and conditions as they relate to the future of the District. This report is supplemental to the financial audit prepared by WISE & Co., LLP of Klamath Falls, Oregon for the same time period.

Financial Highlights

- ◆ The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at June 30, 2020 by \$848,875. Of this amount \$283,678 is unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The District's net position decreased by \$51,664 during the year.
- ◆ At June 30, 2020, the governmental funds reported combined fund balances of \$1,156,462, of which \$888,425 was unassigned and is available for spending at the District's discretion.
- ◆ Governmental fund balances decreased \$547,797 during the year.
- ◆ The District's long-term liabilities decreased by \$460,931 due primarily to scheduled loan payments and refinancing of the USDA loan.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District'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 required and 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 District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District'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 District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Overview of the Financial Statements (Continued)

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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three 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 Fund and Equipment Reserve Fund which are considered to be major funds. The District has one non-major fund, the Building Reserve Fund which is presented as Other Governmental Fund.

Notes to the Financial Statements – The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Klamath 9-1-1 Emergency Communications District, assets exceeded liabilities by \$848,875 as of June 30, 2020.

The portion of the District’s net position, \$283,678 reflects the unrestricted amount that may be used to meet the District’s ongoing obligations.

The remaining balance of investment in capital assets, \$565,197, represents the balance of capital assets less depreciation and reduced by the Zion building loan and DSS equipment loan.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT'S NET POSITION

	Governmental Activities	
	2020	2019 (Restated)
Current and other assets	\$ 1,319,827	\$ 1,860,772
Capital assets	1,447,520	1,489,411
Total assets	<u>2,767,347</u>	<u>3,350,183</u>
Deferred outflows of resources	<u>447,943</u>	<u>437,112</u>
Long-term liabilities	2,193,811	2,654,742
Other liabilities	57,186	66,449
Total liabilities	<u>2,250,997</u>	<u>2,721,191</u>
Deferred inflows of resources	<u>115,418</u>	<u>165,565</u>
Net position:		
Net investment (deficit) in capital assets	565,197	(25,524)
Restricted		67,480
Unrestricted	<u>283,678</u>	<u>858,583</u>
Total net position	\$ <u>848,875</u>	\$ <u>900,539</u>

Analysis of the District's Operations - The table below provides a summary of the District's operations for the year ended June 30, 2020. Governmental activities decreased the District's net position by \$(51,664). Property taxes are the largest source of revenue for the District, and increased by approximately 5% over the prior year due to increases in assessed valuations.

**KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT'S
CHANGE IN NET POSITION**

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 24,345	\$ 24,310
Operating grants	3,694	0
General revenues:		
Property taxes	1,392,492	1,320,503
Intergovernmental	447,156	402,044
Miscellaneous	6,552	3,503
Interest income	2,202	2,417
Total revenues	<u>1,876,441</u>	<u>1,752,775</u>
Expenses:		
General government	<u>1,928,105</u>	<u>1,587,182</u>
Total expenses	<u>1,928,105</u>	<u>1,587,182</u>
Increase (decrease) in net position	(51,664)	165,593
Beginning net position, as restated	900,539	734,946
Ending net position	\$ <u>848,875</u>	\$ <u>900,539</u>

Financial Analysis of the District's Funds

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,156,462. Of this amount, \$268,036 constitutes nonspendable, restricted and assigned fund balance, with a remaining unassigned fund balance of \$888,425.

General Fund – The General Fund is the chief operating fund of the District. As of June 30, 2020, the unassigned fund balance is \$888,425. This balance decreased \$(42,354) from the prior year.

Equipment Reserve Fund – The Equipment Reserve Fund is for future capital expenditures. The Equipment Reserve Fund's ending assigned fund balance is \$200,098, a decrease of \$(474,195) from the prior year.

Major Fund Budgetary Highlights

General Fund Budgetary Highlights – Changes were made from the District's original budget to the final budget by adopting a supplemental budget related to refinancing the USDA building loan. Transfers were made between appropriation categories and an interfund transfer of \$475,000 and additional principal payments of \$577,056 were added.

In the general fund, actual revenues were approximately 3% more than the final budget, yielding a favorable budget variance of \$58,058. General fund expenditures were approximately 99% of the final budget, yielding a favorable budget variance of \$36,474.

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$1,447,520 (net of accumulated depreciation). This investment in capital assets includes building and equipment.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities	
	2020	2019
Building	\$ 1,392,751	\$ 1,420,574
Equipment	54,769	68,837
	<u>\$ 1,447,520</u>	<u>\$ 1,489,411</u>

The most notable capital asset event of the current fiscal year was the purchase of a roof hatch/access door for \$6,000.

Debt Administration

At the end of the current fiscal year, the District's long-term debt is \$2,193,811.

Outstanding Debt at Year End

	Governmental Activities	
	2020	2019
Governmental activities:		
USDA loan	\$	\$ 1,510,289
Zion loan	880,000	
DSS loan	2,323	4,646
Compensated absences	45,767	27,500
Transition liability	81,472	81,472
Net pension liability	1,184,249	1,030,835
Total	\$ 2,193,811	\$ 2,654,742

The District's long-term debt decreased \$460,931, due mainly to the refinance of the USDA loan. More information on long-term debt is found in Note 8 to the financial statements.

Economic Factors and Next Year's Budget and Rates

Economic Factors: Budgeting projections for the District begin with studying trends. The District's primary source of funding is through property tax. Trends in that collection have shown that the current year collection report has proven to be an accurate projection for the subsequent year. Using the trends in property tax collections has proven to be successful without a significant study into other economic trends.

Additional funds come to the District through the State collection of the 911 phone tax. A complex formula determines an allotment for each of the primary PSAP's (Public Safety Answering Points) in the state. It is roughly per capita, but there are adjustments for municipalities within a jurisdiction and a minimum threshold for county population. This tax is assessed based on the sales of phone service and other connected devices that can call 911. House Bill 2449 was approved in 2019 it increased the taxation from 75 cents to a dollar per device beginning January 1, 2020 and will again increase another .25 cents beginning January 1, 2021. About 60% of these funds collected by the state are passed through to the PSAP's based mostly on per capita. The increase in this funding stream should be about 25% and is included in the 2020/2021 budget.

Significant increases in the beginning fund balance have been a result of underspending in personal services. Personal services constitute the highest percentage of our operational costs and underspending can be significant. It is important to consider why there is underspending.

Many factors come into play and have significant impacts on the costs to the District because of either unexpected staff reductions or delay from projections in the start date of a new hire. First trainees are paid less per hour, work less hours, and receive less benefits than when they reach solo status. It takes roughly six months to achieve solo status. If there is a month or two delay, that may push the more expensive months out of the fiscal year. Secondly, unexpected staff reduction of an employee that is higher up in the wage scale (a scale that includes 6% increases each of the first 5 years of solo status) drops a large monthly expense to zero. That position then opens to begin a lengthy recruitment and selection process (2-4 months minimum) during which time the position cost remains at

zero, and once a replacement is hired it is at a significantly lower monthly cost. These factors cannot be reasonably predicted, and the District does not employ enough people to factor in some form of a turnover adjustment. The District does budget for a reasonable anticipated recruitment process and does factor in known turnover due to retirement for example. Most turnover cannot be anticipated.

It is important to note that this underspending is not a case of over funding. Delays or being unsuccessful in filling positions is because the positions are extremely hard to fill, not because they are unnecessary. Once the authorized positions are filled our permanent rate and operating levy are just adequate to maintain those staffing levels.

Supplemental Budget: This addressed financial requirements needed to complete the building refinance in the 2019/2020 fiscal year and renamed established accounts appropriately for future needs. As noted above the District has seen prior year carry over during the past couple years and after much research, strategic planning and advice from Special Districts Consulting Services; determined it in the best interest of the District and its public funds to refinance the building loan. The District chose to utilize the surplus, paying down the principal while refinancing the loan with lower terms. This decreased the Districts debt, reduced the overall interest paid by about one million dollars and shortened the term to a 15 year pay off.

Next Year's Budget and Rates: With continued funding from the renewed five-year operating levy the District has approved a budget that supports the needs of the District, our partner agencies, and our community.

The State 911 program assists the District in reimbursement for certain services, one of those is that of GIS/Mapping. Due to the State over-expending in prior years they set a plan in place to cut some funding for one year which began October 2019 allowing them the ability to recoup some of the shortfall. The decrease will end September 30, 2020 with services expected to be fully reimbursed and are budgeted as such.

PERS: The District was approved to participate in the PERS rate relief program receiving matching grant funds in the amount of \$32,500 with a \$130,000 investment and paid off the Districts transition liability of \$81,472. This allows the District to begin receiving a rate reduction of -3.41% beginning August 1, 2020.

Most categories remain the same with minimal increases except for Personal Services. With the continued increase in workload and requirements of such a demanding job; these positions continue to be a challenge to fill and retain qualified employees. The District conducted its bi-annual wage analysis and found the wage scale low when aligning with industry standards. The wage scale was increased to better align with industry standards and to help hire and retain qualified employees. The increase to personal services reflects those increases.

The District has accomplished replacing equipment before failure instead of at point of failure. This has been an ongoing effort with direct focus from our IT support and administrative staff. The District has been able to replace and upgrade failing equipment and unsupported software.

There is no change to the Districts rates of property tax assessment.

Request for Information

The financial report provides any and all interested parties with information on Klamath 9-1-1 Emergency Communications District. Any questions regarding this report or any financial documents may be addressed to the District at 2543 Shasta Way, Klamath Falls, OR 97601 or at 541-884-4876.

BASIC FINANCIAL STATEMENTS

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,040,640
Receivables	
Property taxes	110,549
Due from other governments	137,277
Prepaid items	17,936
Capital assets (net of depreciation)	1,447,520
Net other post-employment benefit (OPEB) asset	13,425
Total Assets	2,767,347
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension related	447,658
Deferred outflows - OPEB related	285
Total deferred outflows of resources	447,943
LIABILITIES	
Accounts payable	10,127
Accrued payroll and taxes	46,013
Accrued interest payable	1,046
Long term liabilities	
Due within one year	75,823
Due in more than one year	852,267
Transition liability	81,472
Net pension liability	1,184,249
Total Liabilities	2,250,997
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension related	112,444
Deferred inflows - OPEB related	2,974
Total deferred inflows of resources	115,418
NET POSITION	
Net investment (deficit) in capital assets	565,197
Unrestricted	283,678
Total net position	\$ 848,875

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

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Emergency communications	\$ 1,928,105	\$ 24,345	\$ 3,694	\$ (1,900,066)
Total Governmental Activities	<u>\$ 1,928,105</u>	<u>\$ 24,345</u>	<u>\$ 3,694</u>	<u>\$ (1,900,066)</u>

General Revenues		
Property taxes		1,392,492
Intergovernmental		447,156
Interest income		2,202
Miscellaneous		<u>6,552</u>
Total General Revenues		<u>1,848,402</u>
Change in Net Position		(51,664)
Net position-beginning of year as restated		<u>900,539</u>
Net position-end of year		<u>\$ 848,875</u>

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

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

ASSETS	General Fund	Equipment Reserve Fund	Other Governmental Fund	Total Governmental Funds
Cash and investments	\$ 790,539	\$ 200,099	\$ 50,002	\$ 1,040,640
Receivables				
Property taxes	110,549			110,549
Due from other governments	137,276			137,276
Prepaid items	17,936			17,936
Total assets	<u>\$ 1,056,300</u>	<u>\$ 200,099</u>	<u>\$ 50,002</u>	<u>\$ 1,306,401</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,127	\$	\$	\$ 10,127
Payroll liabilities	46,013			46,013
Total liabilities	<u>56,140</u>			<u>56,140</u>
Deferred Inflows of Resources				
Unavailable revenue	93,799			93,799
Fund Balances				
Nonspendable	17,936			17,936
Assigned		200,099	50,002	250,101
Unassigned	888,425			888,425
Total fund balances	<u>906,361</u>	<u>200,099</u>	<u>50,002</u>	<u>1,156,462</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,056,300</u>	<u>\$ 200,099</u>	<u>\$ 50,002</u>	<u>\$ 1,306,401</u>

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

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
RECONCILIATION OF THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2020

Fund balances of governmental funds \$ 1,156,462

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds

Governmental capital assets	2,199,787	
Less: accumulated depreciation	<u>(752,267)</u>	
		1,447,520

Certain receivables are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds

Property taxes	93,799
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Other assets not available to pay for current period expenditures are presented on the statement of net position but are not reported in the funds

Net other post-employment benefit (OPEB) asset	13,425
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Deferred outflows and inflows related to pensions and OPEB are applicable to future periods and therefore are not reported in the funds

Deferred outflows of resources related to pensions	447,658
Deferred outflows of resources related to OPEB	285
Deferred inflows of resources related to pensions	(112,444)
Deferred inflows of resources related to OPEB	<u>(2,974)</u>

Certain liabilities, including pension liabilities, notes payable, accrued interest, and compensated absences are not due and payable in the current period and therefore are not reported in the funds

Long term debt	(882,323)
Accrued interest	(1,046)
Compensated absences	(45,766)
PERS transition liability	(81,472)
Net pension liability	<u>(1,184,249)</u>

Net position of governmental activities	<u><u>\$ 848,875</u></u>
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The accompanying notes are an integral part of the basic financial statements

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Equipment Reserve Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 1,396,768	\$	\$	\$ 1,396,768
Intergovernmental	450,850			450,850
Charges for services	24,345			24,345
Miscellaneous	6,552			6,552
Interest Income	1,295	805	102	2,202
Total revenues	1,879,810	805	102	1,880,717
Expenditures				
Current				
Public safety	1,713,642			1,713,642
Capital outlay	9,705			9,705
Debt service				
Principal	632,612			632,612
Interest	72,554			72,554
Total expenditures	2,428,513			2,428,513
Excess of revenues over expenditures	(548,703)	805	102	(547,796)
Other financing sources (uses)				
Transfers in	475,000	-	49,900	524,900
Transfers out	(49,900)	(475,000)		(524,900)
Total other financing sources (uses)	425,100	(475,000)	49,900	-
Net change in fund balances	(123,603)	(474,195)	50,002	(547,796)
Fund balances-beginning of year	1,029,965	674,293		1,704,258
Fund balances-end of year	\$ 906,361	\$ 200,099	\$ 50,002	\$ 1,156,462

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

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net change in fund balances of governmental funds \$ (547,796)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital outlay	9,705
Deduct: Depreciation expense	(51,596)

Revenues are reported in the governmental funds when they provide current financial resources and recorded in the statement of activities when they are earned

Deduct: Decrease in unavailable property taxes and intergovernmental revenue	(4,277)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position

Add: Principal payments	632,612
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Some amounts reported in the statement of activities do not use or provide current financial resources and therefore are not reported in the governmental funds:

Change in pension related amounts	(92,436)
Change in other post-employment benefit related amounts	6,375

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Deduct: Compensated absences accrual	(18,266)
Add: Interest expense accrual	14,015

Change in net position of governmental activities	<u><u>\$ (51,664)</u></u>
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The accompanying notes are an integral part of the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Klamath 9-1-1 Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The GASB periodically updates its codification of existing Governmental Accounting and Financial Reporting Standards, which along with the subsequent GASB pronouncements (standards and interpretations), constitutes GAAP for governmental units. The District's more significant accounting policies are described below.

A. Reporting Entity

The Klamath 9-1-1 Emergency Communications District is an Oregon special district formed under ORS 198 and ORS 401. The District operates under a governing body consisting of a seven member Board of Directors. The Board is elected by the legal voters within the District and has the responsibility of overseeing all operations of the District. The District provides emergency communications services for all public safety agencies in Klamath County.

The District's financial statements include the accounts of all the District's operations. The District has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges for services and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance. These statements present each major fund as a separate column; all non-major funds are aggregated and presented in a single column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, liabilities and deferred inflows and outflows of resources (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. Otherwise they are reported as deferred inflows of resources. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures related to compensated absences are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes and intergovernmental revenues. Other taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

- a. General Fund - The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- b. Equipment Reserve Fund - This fund was established to accumulate funds for equipment purchases. The primary sources of revenue are transfers from the general fund.

D. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. The District also considers certificates of deposit maturing within three months to be cash equivalents.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Receivables

Receivables consist of amounts due from other governments and property taxes. Management believes all receivables to be collectible or enforceable by lien; accordingly, no allowance for doubtful accounts is deemed necessary.

Property taxes attach as an enforceable lien on real property and are levied as of July 1. Taxes are billed in October and payments are due on November 15 of the same calendar year. Under the partial payment schedule, the first one-third of taxes is due on November 15, the second one-third on February 15, and the remaining one-third on May 15. A discount of three percent is allowed if full payment is made by November 15; a two percent discount is allowed for a two-thirds payment made by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent and are subject to lien, and penalties and interest are assessed.

The Klamath County, Oregon Tax Assessors Office bills and collects property taxes on behalf of the District. The tax rate to finance general government services for the fiscal year ended June 30, 2020, was .1541 per \$1,000 of assessed taxable property value. The tax rate to finance the operating levy for the fiscal year ended June 30, 2020 was .0800 per \$1000 of assessed property value. The taxable value to finance general government services amounted to \$6,058,638,390 and to finance the operating levy, \$6,059,861,414.

Property taxes are recorded as receivables and deferred inflows of resources. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue, otherwise they are reported as deferred inflows of resources. In the government-wide financial statements, the entire levy is recognized as revenue at the levy date with discounts given for taxes paid by November 15.

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District's capitalization policy uses a capitalization threshold of \$1,000 and a useful life of more than one year. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Capital assets utilized by governmental funds are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	50 Years
Equipment	5-15 Years

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net 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 thus will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports this item for pension and other post-employment benefit related amounts in the government-wide statement of net position.

In addition to liabilities, the statement of net position and balance sheet 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 or fund balance that applies to a future period and thus will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position, the District reports this item for pension and other post-employment benefit related amounts.

Under a modified accrual basis of accounting the District reports this item for unavailable property taxes and other receivables that are not available for collection until a future period. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

H. Pension and Other Post-Employment Benefits Asset/Liability

The District reports its proportionate share of the net pension liability and other post-employment benefits (OPEB) asset of the Oregon Public Employees Retirement System (OPERS). For purposes of measuring the net pension liability, OPEB asset, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and addition to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. 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. Compensated Absences

Under terms of labor contracts and the District's employee policy, employees are granted vacation and sick leave.

Sick leave accrues at rates based on the employee's full or part time status but is not payable upon termination. As such, no liability is recorded for sick leave.

Vacation time accrues for full time employees at 16 to 24 hours a month depending on an employee's years of continuous service, with various maximums that can be taken or be paid upon termination of employment. Accumulated vacation is accrued when incurred in the government-wide statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The fund typically used in prior years to liquidate the liability for compensated absences is the General Fund.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability on the statement of net position. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

In the fund financial statements, the amount of loan proceeds are reported as other financing sources on the statement of revenues, expenditures and changes in fund balances at the time the loan is received. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Position and Fund Balance

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowing, if any, used for the acquisition, construction or improvement of those assets. Accordingly, if related debt and accumulated depreciation exceed the cost of capital assets, a net deficit is reported. The District reports restricted net position when constraints placed on net position use are either externally imposed by creditors (such as through general obligation bond covenants) or other governments, or established through constitutional provisions or enabling legislation (such as for certain property taxes). All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

In the fund financial statements, governmental funds report aggregate amounts for classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances are classified as follows:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for the specific purposes determined by formal action of the District's highest level of decision-making authority, the Board of Directors. Commitments may be changed only by the District taking the same formal action that originally imposed the constraint.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Balance (Continued)

Assigned fund balance – includes amounts that are constrained by the District’s intent to be used for specific purposes. This intent can be expressed by either the highest level of decision making, or by a body or an official to which the Board of Directors has delegated the authority. This is also the classification for residual amounts in governmental funds, other than the General Fund.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use externally restricted resources first, and then unrestricted resources – committed, assigned and unassigned – in order as needed.

L. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Stewardship, compliance and accountability are key concepts in defining the responsibilities of the District. The use of budgets and monitoring of equity status facilitate the District’s compliance with legal requirements.

A. Budgets

Annual appropriated budgets are adopted in accordance with legal requirements set forth in the Oregon Local Budget Law. Unexpected additional resources may be appropriated through the use of a supplemental budget and Board of Directors action. The original and supplemental budgets adjusting a fund by 10% or more of expenditures or creating a new fund require budget hearings before the public, publications in newspaper and approval by the Board of Directors. Supplemental budgets adjusting less than 10% of expenditures may be adopted by the governing body at a regular meeting. Original and supplemental budgets may be modified during the fiscal year by the use of appropriation transfers between the legal categories; since Local Budget Law does not allow management to amend the budget; such transfers require approval by the Board of Directors. Expenditure appropriations may not be legally over expended except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

The Board of Directors legally adopts the budget by resolution before June 30. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution is set at the object group level (i.e. personal services, materials and services, capital outlay, and inter-fund transfers). Appropriations lapse as of year-end.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Budgetary Process

Certain procedures are followed in establishing the budgetary data reflected in the financial statements:

- ◆ A budget officer is appointed to form a budget committee which prepares a budget.
- ◆ At least two public hearings are conducted to obtain taxpayer comments.
- ◆ Prior to June 30th, the budget must be legally adopted by the District’s governing body.
- ◆ The budget is submitted to the County Assessor’s office no later than July 15th.

C. Expenditures over Appropriations

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund:			
Capital Outlay	681,260	714,871	(33,611)
Transfer Out	49,623	49,900	(277)

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash includes cash on hand, petty cash, bank deposits and certificates of deposit. Cash is covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Oregon Public Funds Collateralization Program. The Public Funds Collateralization Program (PFCP) is an application created by the Office of the State Treasurer (OST) to facilitate bank depository, custodian and public official compliance with ORS Chapter 295. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the PFCP. Bank depositories are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable.

At June 30, 2020 bank balances of \$1,003,877 were covered by federal depository insurance and by collateral held in the Oregon PFCP multiple financial institution collateral pool. Cash on deposit with Klamath County Treasurer of \$38,148 is covered by a collateral pool managed by Klamath County.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for the custodial credit risk.

Investments – State statutes and District resolutions authorize the District to invest in U.S. Government obligations and its agencies or instrumentalities, collateralized certificates of deposit and government pools. The District had no investments at June 30, 2020.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 4 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund
Property taxes	\$ 93,799
Total	\$ 93,799

Deferred inflows and outflows of resources reported in the government-wide financial statements are for pension and other post-employment benefit related amounts and are detailed in Notes 6 and 7.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	07/01/18	Increases	Decreases	06/30/19
Governmental Activities:				
Capital assets being depreciated:				
Building	\$ 1,691,160	\$	\$	\$ 1,691,160
Equipment	498,922	9,705		508,627
Total capital assets being depreciated	2,190,082	9,705		2,199,787
Less accumulated depreciation for:				
Building	(270,586)	(33,823)		(304,409)
Equipment	(430,085)	(17,773)		(447,858)
Total accumulated depreciation	(700,671)	(51,596)		(752,267)
Total capital assets being depreciated, net	1,489,411	(41,891)		1,447,520
Capital assets, net	\$ 1,489,411	\$ (41,891)	\$	\$ 1,447,520

Depreciation expense was charged to the governmental functions as follows:

Governmental activities:	
General government	\$ 51,596
Total depreciation expense – governmental activities	\$ 51,596

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – PENSION PLAN

A. Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS). The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. The Oregon Public Employees Retirement Fund (Tier 1/Tier 2) is a cost-sharing multiple-employer defined benefit pension plan for qualifying employees hired before August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to Tier 1/Tier 2 consisting of two programs: a defined benefit pension plan and a defined contribution program (the Individual Account Program or IAP) The OPSRP pension plan provides benefits to employees hired on or after August 29, 2003. OPERS issues publicly available financial reports that may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, or online at <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

B. Benefits Provided

1. OPERS Tier One/Tier Two Retirement Benefit (Chapter 238)

Pension Benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (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.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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:

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

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – PENSION PLAN (Continued)

B. Benefits Provided (Continued)

1. Tier One/Tier Two Retirement Benefit (Chapter 238) (Continued)

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 OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the 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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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 OPSRP 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 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.

NOTE 6 – PENSION PLAN (Continued)

B. Benefits Provided (Continued)

2. OPSRP Pension Program (OPSRP) (Continued)

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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, an IAP member may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – PENSION PLAN (Continued)

C. Contributions

OPERS 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 OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2020 were \$192,313, excluding amounts to fund employer specific liabilities.

The rates in effect for the fiscal year ended June 30, 2020 were 21.35 percent for Tier One/Tier Two General Service Members, 20.54 percent for OPSRP Pension Program General Service members, and 6 percent for OPSRP Individual Account Program. The 6 percent for OPSRP Individual Account Program is paid by the employee.

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

At June 30, 2020, the District reported a liability of \$1,184,249 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019 (Measurement Date or MD). The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2019 measurement date, the District’s proportion was .00685 percent, which was an increase of .00005 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$287,693. At June 30, 2020, the District 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	\$ 65,308	\$
Changes of assumptions	160,657	
Net difference between projected and actual earnings on investments		33,572
Changes in proportionate share	3,954	77,298
Differences between employer contributions and proportionate share of contributions	25,426	1,574
Total (prior to post-MD contributions)	255,345	112,444
Contributions subsequent to the MD	192,313	
 Total	 \$ 447,658	 \$ 112,444

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 – PENSION PLAN (Continued)

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$192,313 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2021	\$	90,899
2022		(3,254)
2023		24,332
2024		28,364
2025		2,559
	<u>\$</u>	<u>142,901</u>

E. Actuarial Assumptions

The employer contribution rates which became effective July 1, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the OPERS 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 OPERS 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 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 16 years.

F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability

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 below are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 – PENSION PLAN (Continued)

F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability (Continued)

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Actuarial Assumptions:	
Inflation Rate	2.50%
Investment Rate of Return	7.20%
Projected salary increases	3.50% overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation..</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

G. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 – PENSION PLAN (Continued)

H. Discount Rate Sensitivity

Sensitivity of the District’s proportionate share of the net pension liability (asset) to changes in the discount rate: The following presents the District’s proportionate share of the pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percent lower (6.20 percent) or 1-percent higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District’s proportionate share of the net pension liability	\$ 1,896,470	\$ 1,184,249	\$ 588,219

I. Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	Target
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	32.5	42.5	37.5
Private Equity	14.0	21.0	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 %

J. 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. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. 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.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 -- PENSION PLAN (Continued)

Asset Class	Target %	Compound Annual Return % (Geometric)
Core Fixed Income	8.00	3.49
Short-Term Bonds	8.00	3.38
Bank/Leveraged Loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds – Diversified	2.50	4.09
Hedge Fund – Event-driven	.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation - Mean		2.50

K. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report.

L. Changes Subsequent to the Measurement Date

GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80(f) of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the Employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available. The District is not aware of any changes subsequent to the most recent measurement date that would have a significant effect on the net pension liability.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Oregon Public Employees Retirement Health Insurance Account Plan Description

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after August 29, 2003. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, or online at <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

B. Benefits Provided

Because RHIA was created by enabling legislation ORS 238.420, contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. 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 OPERS, 2) receive both Medicare Parts A and B coverage, and 3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she 1) is receiving a retirement benefit or allowance from PERS or 2) was insured at the time the member died and the member retired before May 1, 1991.

C. Contributions

OPERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. The District's contribution rates for the period were 0.06% for Tier One/Tier Two members, and no contributions are required for OPSRP members. Contributions for the year ended June 30, 2020 were \$285.

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

At June 30, 2020, the District reported an asset of \$13,425 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset for the plan in total was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017 rolled forward to the measurement date (MD) of June 30, 2019. The District's proportion of the net

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. OPEB Assets, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

OPEB asset was based on the District’s contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At the June 30, 2018 measurement date, the District’s proportion was .00695 percent, which was an increase of .00064 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB income of \$ \$6,375.

At June 30, 2020, deferred outflows and deferred inflows of resources were reported from the following sources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 1,770
Changes of assumptions		14
Net difference between projected and actual earnings on investments		829
Changes in proportionate share		361
Total (prior to post-MD contributions)		2,974
Contributions subsequent to the MD	285	
Total	\$ 285	\$ 2,974

\$285 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as either a reduction in the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2021. Other amounts reported as deferred (inflows) outflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

Year Ending June 30:

2021	\$ (1,522)
2022	(1,368)
2023	(169)
2024	85
	\$ (2,974)

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

E. Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial methods and assumptions:

Mortality rates for healthy retirees and beneficiaries were based on the RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Mortality rates for active members were based on a percentage of healthy retiree rates that vary by group, as described in the valuation. Mortality rates for disabled retirees were based on a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

All other actuarial methods and assumptions are consistent with those disclosed for the OPERS Pension Plan. See Note 6 for additional information on actuarial assumptions and methods, the long-term expected rate of return, and the discount rate.

F. Sensitivity of the District’s proportionate share of the net OPEB liability (asset) to changes in the discount rate

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

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District’s proportionate share of the net OPEB liability (asset)	\$ (10,407)	\$ (13,425)	\$ (15,995)

G. OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued OPERS financial report.

H. Changes in Plan Provisions Subsequent to Measurement Date

There are no known changes in plan provisions subsequent to the measurement date of June 30, 2019 that would have a significant effect on the net OPEB asset.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – LONG-TERM DEBT

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2020:

	July 1, 2019 (Restated)	Increases	Decreases	June 30, 2020	Due Within One Year
Governmental Activities:					
Revenue bond	\$ 1,510,289	\$	\$ 1,510,289	\$	\$
General obligation bond		880,000		880,000	55,000
Direct borrowings:					
Notes payable	4,646		2,323	2,323	2,323
Other liabilities:					
Compensated absences	27,500	24,793	6,526	45,767	45,767
Transition liability	81,472			81,472	
Net pension liability	1,030,835	153,414		1,184,249	
Total other liabilities	1,139,807	178,207	6,526	1,311,488	45,767
Government-wide total	\$ 2,654,742	\$ 1,058,207	\$ 1,519,138	\$ 2,193,811	\$ 103,090

Interest expense in the amount of \$58,539 is included in the direct expenses of the emergency communications function of the government-wide statement of activities.

General Obligation Bond

The District issued \$880,000 in general obligation bonds to re-finance the loan for the District’s office building. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The debt bears interest at 2.17% and is payable from all legally available sources. Annual principal and semiannual interest payments are due through 2034.

The annual funding requirement to amortize to maturity general obligation bonds outstanding as of June 30, 2020 is as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 55,000	\$ 19,361	\$ 74,361
2022	55,000	17,903	72,903
2023	55,000	16,709	71,709
2024	60,000	15,515	75,515
2025	60,000	14,214	74,214
2026-2030	315,000	51,211	366,211
2031-2034	280,000	15,190	295,190
Total	\$ 880,000	\$ 150,103	\$ 1,030,103

In the event of default, the lender may exercise any remedy available at law or in equity; however this does not include acceleration of any amounts due.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – LONG-TERM DEBT (Continued)

Note Payable

During the year ended June 30, 2017, the District financed the purchase of communications equipment from DSS Corporation under a five year loan due in annual installments of \$2,323. The loan includes no interest and is payable through 2021.

The annual funding requirement to amortize the loan to maturity as of June 30, 2020 is as follows:

<u>June 30</u>		
2021	\$	2,323
 Total	 \$	 2,323

NOTE 9– PENSION RELATED DEBT – TRANSITION LIABILITY

Upon joining the PERS State and Local Government Rate Pool, a transition liability was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately for the District and is reduced by contributions and increased by interest charges at an assumed interest rate, which was last adjusted to 7.2% in 2018. The contribution rate is currently 2.01%

The transition liability is being amortized through December 2027. The District can elect to pay the transition liability at any time.

NOTE 10 - INTER-FUND TRANSFERS

Transfers were used to move revenues in excess of expenditures to other funds, as budgeted. Transfers for the year ended June 30, 2020 were:

	Transfers In	Transfers Out
General Fund	\$ 475,000	\$ 49,900
Capital Projects Funds:		
Equipment Reserve Fund		475,000
Facilities Maintenance Reserve Fund	49,900	
	\$ 524,900	\$ 524,900

NOTE 11 – JOINT VENTURE

The District, in conjunction with twenty-two other participants in Klamath County, formed an intergovernmental entity known as the Klamath Interoperable Radio Group (KIRG) in 2016. KIRG’s Board is composed of members from seven of the participating entities. The purpose of KIRG is to own, maintain, finance and operate the county-wide interoperable radio communications system. The KIRG collects yearly maintenance dues from each participant. The District does not have an equity interest in the KIRG. KIRG’s financial statements are available upon request from its offices at 2543 Shasta Way, Klamath Falls, OR 97601.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 12 – RISK MANAGEMENT

The District 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 District carries commercial insurance for all risks, including workers’ compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is party to various legal proceedings in the ordinary course of operations. Existing lawsuits and claims are covered by insurance and management believes the outcome of such matters will not materially affect its financial condition.

NOTE 13 – FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2020, are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
General Fund	Prepaid expenses	\$ 17,936
Assigned		
Equipment Reserve Fund	Equipment	200,099
Facilities Maintenance Fund	Facilities	50,002
Unassigned		
General Fund		<u>888,425</u>
Total fund balances		<u>\$ 1,156,462</u>

NOTE 14– NET POSITION AND FUND BALANCE ADJUSTMENTS

During the year ended June 30, 2020, the District determined the prior period government-wide financial statements needed to be restated due to the transition liability related to joining the PERS State and Local Government Rate Pool which was not previously recorded. Further information about this liability can be found in Note 9. The result was a net over-reporting of unrestricted net position of \$81,472 in the government wide financial statements.

After refinancing the USDA loan, it was determined that the Building Fund was no longer needed and it was abolished by resolution on June 10, 2020. The building fund prior fund balance of \$84,470 is reported in the beginning fund balance of the General Fund in the governmental funds financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 1,353,852	\$ 1,353,852	\$ 1,396,768	\$ 42,916
Intergovernmental	438,000	438,000	450,850	12,850
Charges for services	25,000	25,000	24,345	(655)
Miscellaneous	3,900	3,900	6,552	2,652
Interest Income	1,000	1,000	1,295	295
Total revenues	<u>1,821,752</u>	<u>1,821,752</u>	<u>1,879,810</u>	<u>58,058</u>
Expenditures				
Personal services				
Salaries and wages	1,049,350	989,245	956,643	32,602
Payroll taxes and benefits	381,645	335,462	332,133	3,329
PERS retirement	214,761	200,000	195,257	4,743
Total personal services	<u>1,645,756</u>	<u>1,524,707</u>	<u>1,484,033</u>	<u>40,674</u>
Materials and services	<u>289,652</u>	<u>259,022</u>	<u>229,611</u>	<u>29,411</u>
Capital Outlay	<u>104,204</u>	<u>681,260</u>	<u>714,871</u>	<u>(33,611)</u>
Total expenditures	<u>2,039,612</u>	<u>2,464,989</u>	<u>2,428,515</u>	<u>36,474</u>
Excess of revenues over (under) expenditures	<u>(217,860)</u>	<u>(643,237)</u>	<u>(548,705)</u>	<u>94,532</u>
Other financing sources (uses)				
Transfers in	375	475,375	475,000	375
Transfers out	<u> </u>	<u>(49,623)</u>	<u>(49,900)</u>	<u>(277)</u>
Total other financing sources (uses)	<u>375</u>	<u>425,752</u>	<u>425,100</u>	<u>(277)</u>
Net change in fund balances	(217,485)	(217,485)	(123,605)	94,255
Fund balances-beginning of year	<u>585,571</u>	<u>585,571</u>	<u>1,029,965</u>	<u>444,394</u>
Fund balances-end of year	<u>\$ 368,086</u>	<u>\$ 368,086</u>	<u>\$ 906,359</u>	<u>\$ 538,649</u>

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

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year Ended June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.68463200%	\$ 1,184,249	\$ 879,250	134.69%	80.20%
2019	0.00680478%	1,030,835	769,983	133.88%	82.10%
2018	0.00759127%	1,023,306	674,817	151.64%	83.10%
2017	0.00798006%	1,197,992	653,400	183.35%	80.50%
2016	0.00874915%	502,329	634,267	79.20%	91.90%
2015	0.00950377%	(215,423)	619,450	-34.78%	103.60%
2014	0.00950377%	484,991	577,683	83.95%	91.97%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Statutory Required Contributions	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 192,313	\$ 192,313	\$	\$ 879,250	21.87%
2019	130,294	130,294		769,983	16.92%
2018	117,814	117,814		674,817	17.46%
2017	96,452	96,452		653,400	14.76%
2016	96,251	96,251		634,267	15.18%
2015	82,509	82,509		619,450	13.32%
2014	76,150	76,150		577,683	13.18%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY

Year Ended June 30,	(a) District's proportion of the net OPEB liability (asset)	(b) District's proportionate share of the net OPEB liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.69472100%	\$ (13,425)	\$ 879,250	-1.53%	144.40%
2019	0.00631525%	(7,050)	769,983	-0.92%	124.00%
2018	0.00629866%	(2,629)	674,817	-0.39%	108.90%
2017	0.00654690%	1,778	653,400	0.27%	94.20%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Statutory Required Contributions	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 285	\$ 285	\$	\$ 879,250	0.03%
2019	3,443	3,443	\$	769,983	0.45%
2018	3,058	3,058		674,817	0.45%
2017	3,179	3,179		653,400	0.49%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2020

NOTE 1 – BUDGETS

Annual appropriated budgets are adopted for all funds. These budgets are adopted using the modified accrual basis of accounting. All appropriations lapse at the end of the fiscal year. The Board of Directors legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, and inter-fund transfers). Appropriations lapse as of year-end.

The General Fund reported an excess of expenditures over appropriations for the year ended June 30, 2020 as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund:			
Capital Outlay	681,260	714,871	(33,611)
Transfer Out	49,623	49,900	(277)

NOTE 2 – CHANGES IN BENEFIT TERMS OR ASSUMPTIONS RELATED TO PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Oregon PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

The Oregon PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include the lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions used to measure the total OPEB liability were changed to reflect an updated trends and mortality improvement scale for all groups.

Senate Bill 822 was enacted during the 2013 Oregon regular legislative session to lower the cap on the cost-of-living adjustment (COLA) from 2 percent to 1.5 percent for 2013, and eliminated the tax remedy benefit for recipients who do not pay Oregon state income taxes because they do not reside in Oregon. Senate Bill 861 was enacted during the 2013 Oregon special legislative session, further lowering the postretirement COLA for years beyond 2013 to 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000. The combined impact of these Senate Bills are reflected in the June 30, 2014 total pension liability, resulting in a net pension asset reported by the District for fiscal year 2015.

The Oregon Supreme Court (Court) ruled in *Moro v. State of Oregon* on April 30, 2015 that certain provisions of Senate Bill 822 and Senate Bill 861 were unconstitutional. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. The impact of the Court’s decision is reflected in the June 30, 2015 total pension liability, which contributes to the net pension liability reported by the District for fiscal year 2016.

OTHER SUPPLEMENTARY INFORMATION

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - EQUIPMENT RESERVE FUND
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Interest Income	\$ -	\$ -	\$ 806	\$ 806
Total revenues			806	806
Expenditures				
Capital Outlay	-	-		-
Other financing sources (uses)				
Transfers out	-	(475,000)	(475,000)	
Total other financing sources (uses)	-	(475,000)	(475,000)	
Net change in fund balances	-	(475,000)	(474,194)	806
Fund balances-beginning of year	679,698	679,698	674,292	(5,406)
Fund balances-end of year	<u>\$ 679,698</u>	<u>\$ 204,698</u>	<u>\$ 200,098</u>	<u>\$ (4,600)</u>

KLAMATH 9-1-1 EMERGENCY COMMUNICATIONS DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - FACILITY MAINTENANCE AND REPAIRS FUND
 For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Interest Income	-	\$ -	\$ 102	\$ 102
Total revenues	-	-	102	102
Other financing sources (uses)				
Transfers in	-	49,623	49,900	277
Total other financing sources (uses)	-	49,623	49,900	277
Net change in fund balances	-	-	50,002	50,002
Fund balances-beginning of year	-	-	-	-
Fund balances-end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,002</u>	<u>\$ 50,002</u>

STATE OF OREGON COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**

We have audited the basic financial statements of the Klamath 9-1-1 Emergency Communications District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated September 9, 2020. 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 the District'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:

- ◆ Deposits 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.
- ◆ 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 District 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 except as follows:

A supplemental budget may be adopted at a regular meeting of the board of directors under certain conditions. The District adopted a supplemental budget appropriately at a regular meeting; however the notice of the meeting did not state that a supplemental budget would be presented.

As noted in Note 2 to the financial statements, certain expenditures were in excess of appropriations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District'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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did identify deficiencies in internal control that were reported to the Board of Directors in a separate letter dated September 9, 2020.

This report is intended solely for the information and use of the Board of Directors and Management of the Klamath 9-1-1 Emergency Communications District and the Oregon Secretary of State Audits Division, and is not intended to be and should not be used by anyone other than these specified parties.

WISE & Co., LLP

A handwritten signature in cursive script that reads "Dianne E. Spires".

Dianne E. Spires, Director
September 9, 2020