

# Oregon Utility Notification Center

## Financial Statements

Years Ended December 31, 2018 and 2017

See Independent Accountants' Report



# OREGON UTILITY NOTIFICATION CENTER

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### Table of Contents

	Page
Independent Accountants' Report	1
Financial Statements:	
Statements of Net Position	2
Statements of Revenues, Expenses, and Changes in Net Position	3
Statements of Cash Flows	4
Notes to Financial Statements	5

## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors  
Oregon Utility Notification Center

### Review of 2018 Financial Statements

We have reviewed the accompanying financial statements of the Oregon Utility Notification Center (the Agency, an independent not-for-profit corporation), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### Compilation of 2017 Financial Statements

Management is responsible for the accompanying financial statements of the Oregon Utility Notification Center, which comprise the statement of net position as of December 31, 2017, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements. We performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the 2017 financial statements.

### Required Supplemental Information

The Agency has not presented a report on Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our conclusion on the basic financial statements is not affected by this missing information.

*Aldrich CPAs + Advisors LLP*

Salem, Oregon  
September 18, 2019

## OREGON UTILITY NOTIFICATION CENTER

### Statements of Net Position

December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

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<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 442,512	\$ 494,651
Accounts receivable	15,054	17,465
Prepaid expense	<u>-</u>	<u>4,517</u>
Total Current Assets	<u>457,566</u>	<u>516,633</u>
Total Assets	<u>\$ 457,566</u>	<u>\$ 516,633</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
Current Liabilities - Accounts Payable	\$ <u>715</u>	\$ <u>8,288</u>
Total Current Liabilities	<u>715</u>	<u>8,288</u>
Deferred Inflows of Resources	<u>-</u>	<u>33,945</u>
Unrestricted Net Position	<u>456,851</u>	<u>474,400</u>
Total Net Position	<u>456,851</u>	<u>474,400</u>
Total Liabilities and Net Position	<u>\$ 457,566</u>	<u>\$ 516,633</u>

**OREGON UTILITY NOTIFICATION CENTER****Statements of Revenues, Expenses, and Changes in Net Position**

Years Ended December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

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	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Member assessments	\$ 1,970,522	\$ 1,923,682
General operating	<u>57,733</u>	<u>14,826</u>
Total Operating Revenues	<u>2,028,255</u>	<u>1,938,508</u>
Operating Expenses:		
Contracted "One Call" services	1,649,527	1,563,986
General operating	6,184	5,963
Publicity and education	291,381	242,842
Administration	<u>98,712</u>	<u>69,226</u>
Total Operating Expenses	<u>2,045,804</u>	<u>1,882,017</u>
Changes in Unrestricted Net Position	(17,549)	56,491
Unrestricted Net Position, beginning	<u>474,400</u>	<u>417,909</u>
Unrestricted Net Position, ending	<u>\$ 456,851</u>	<u>\$ 474,400</u>

## OREGON UTILITY NOTIFICATION CENTER

### Statements of Cash Flows

Years Ended December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

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	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from member assessments	\$ 1,972,933	\$ 1,922,720
Other operating receipts	23,788	48,771
Payments for goods and services	<u>(2,048,860)</u>	<u>(1,879,739)</u>
Net Cash Provided (Used) by Operating Activities	<u>(52,139)</u>	<u>91,752</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,139)	91,752
Cash and Cash Equivalents, beginning	<u>494,651</u>	<u>402,899</u>
Cash and Cash Equivalents, ending	\$ <u><u>442,512</u></u>	\$ <u><u>494,651</u></u>
Reconciliation of Changes in Unrestricted Net Position to		
Cash Provided (Used) by Operating Activities:		
Changes in Unrestricted Net Position	\$ (17,549)	\$ 56,491
Adjustments to reconcile changes in unrestricted net position		
to net cash provided (used) by operating activities:		
Contributions and sponsorships	(33,945)	33,945
Changes in operating assets and liabilities:		
Accounts receivable	2,411	(962)
Prepaid expense	4,517	(4,517)
Accounts payable	<u>(7,573)</u>	<u>6,795</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(52,139)</u></u>	\$ <u><u>91,752</u></u>

## OREGON UTILITY NOTIFICATION CENTER

### Notes to Financial Statements

Years Ended December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

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#### Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Oregon Utility Notification Center (the Agency) are prepared in conformity with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board (GASB). Significant financial accounting and reporting policies for the Agency are discussed below.

##### Organization

The Oregon Utility Notification Center (the Agency) is the state agency that administers the Oregon 811 system whose purpose and goal is to encourage utilities, public agencies, contractors, and others in Oregon to coordinate underground installations and to develop and implement measures to protect them. The Agency was formed in 1995 by the State of Oregon legislature and is set forth in the Oregon Revised Statutes under Chapter 757.542 through 757.562 (Utility Regulation) and is described as an independent not-for-profit public corporation. The mission of the Agency is as follows:

*"To operate and maintain a state-of-the-art one-call system for the State of Oregon to reduce damages to underground facilities and to promote public safety related to excavation issues."*

Membership in the Agency is mandatory for entities that have underground utility installations on public land. The Agency's primary source of revenue is provided through a fee system paid by operators of underground utilities who subscribe to the Agency. The Agency sets rates as deemed necessary for adequate funding. The Agency does not receive any funding from the State of Oregon general fund. In the published annual financial statements of the State of Oregon the Agency is described as follows:

*"The Oregon Utility Notification Center (OUNC) is an independent not-for-profit public corporation. Although the Governor appoints members to OUNC's board of directors, OUNC is funded through fees paid by operators of underground utilities who subscribe to OUNC. The OUNC receives no General Fund moneys, and the State has no financial accountability for OUNC."*

##### Governance and Enforcement

The Board of Directors is comprised of twenty-two Governor-appointed members that administer the One-Call Center and carry out a variety of public relations, outreach, and educational efforts. The Board is represented by individuals from public and private industry, state government, and contractors with interests in buried utility facilities. The Agency has the authority to adopt administrative rules and regulations governing underground utilities without State of Oregon legislative action.

The Agency does not have any employees; consequently, all notification functions are contracted and selected under a competitive bidding process. The Agency has contracted with a private company, One Call Concepts, Inc. (OCC), to run the "One-Call Center" under Board direction. Substantially all education, publicity, and promotional activities are performed by board members or contracted to third parties.

Enforcement of underground utility rules and regulations are administered through the Oregon Public Utility Commission.

##### The Reporting Entity

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Agency.

## OREGON UTILITY NOTIFICATION CENTER

### Notes to Financial Statements

Years Ended December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

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#### Note 1 - Summary of Significant Accounting Policies, continued

##### The Reporting Entity, continued

The Agency has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled or dependent on the Agency. As established by the Governmental Accounting Standards Board's definition of a reporting entity, the Agency is considered a primary government entity and is not a component unit of another entity, nor are there any component units for which the Agency is financially accountable.

##### Basis of Accounting

The Agency's financial statements are presented on the economic resources measurement focus and the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America for proprietary funds. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The financial statements of the Agency have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements, statements and interpretations.

The Agency has not presented a report on Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined to be necessary to supplement, although not required to be part of, the basic financial statements.

The Agency reports only one major fund, the *Utility Notification Center Fund*. It is the Agency's only operating fund. It accounts for all financial resources of the Agency. The accounts of the Agency are organized on the basis of a proprietary (enterprise) fund type. The activities of the fund are accounted for with a set of self-balancing accounts that comprise the Agency's assets, liabilities, deferred inflows of resources, net position, revenues, and expenses.

##### Basic Financial Statements - Government-Wide Statements

The government-wide financial statements display information about the Agency as a whole. The focus is on its financial sustainability. As such, the reporting presents the change in the financial position of the Agency, resulting from the activities of the fiscal period. These statements consist of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows.

##### Basic Financial Statements - Fund Financial Statements

Reporting standards for special purpose governments that are engaged in single business-type activities state that the financial presentation should present only the financial statements required for proprietary funds. Therefore only government-wide financial statements are presented, and accordingly, no separate fund financial statements are required.

##### Use of Estimates

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

## **OREGON UTILITY NOTIFICATION CENTER**

### **Notes to Financial Statements**

Years Ended December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

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#### **Note 1 - Summary of Significant Accounting Policies, continued**

##### Cash and Cash Equivalents

The Agency considers all liquid investment securities with a remaining maturity of 3 months or less to be cash equivalents. The Agency maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per bank. At December 31, 2018, the Agency had cash in excess of the federally insured limit of \$70,479 (\$125,030 at December 31, 2017).

The Agency currently manages its excess cash by purchasing certificates of deposit. Oregon Revised Statutes do not place limitations on the type of deposits or investments made by the Agency.

**Custodial Credit Risk (Cash)** – Custodial credit risk on deposits is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have bank deposit policies specifically to address custodial credit risk.

##### Accounts Receivable

Account receivables consist of amounts due from OCC, the Agency's contracted service provider that facilitates the One-Call system of utility notification. Underground utility companies pay a tariff or assessment established by the Agency that is based on the number of "locate calls" during the monthly billing cycles. These assessments are collected by OCC and then forwarded to the Agency, net of service charges contracted. For December 2018, gross assessment revenues were \$110,046 and related contracted service charges were \$94,992, resulting in a net receivable of \$15,054 as reflected on the accompanying statement of net position (\$112,991 and \$95,526 of gross revenue and expense, respectively, for December 2017 with \$17,465 receivable at December 31, 2017). The Agency does not have a history of significant uncollectible accounts and therefore has not established an allowance for doubtful accounts.

##### Restricted Assets

Certain assets at times can be classified as restricted assets because their use is limited by parties external to the Agency. Parties external to the Agency can include members, creditors, grantors, public interest groups, other governments, and the courts. Restrictions may also be imposed by laws through constitutional provisions or legally enforceable enabling legislation. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed. The Agency does not have any restricted assets at December 31, 2018 or 2017.

##### Operating Revenue and Expense

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues are derived from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. The primary operating revenues for the Agency include member assessments, corporate sponsorships, grant revenue, and enforcement fines and penalties received through the Oregon Public Utilities Commission (PUC). Operating expenses include all expenses directly and indirectly related to the providing of these services. The primary operating expenses for the Agency include the "One Call" services contracted through OCC, publicity and advertising expenses, administration expenses, and costs of Oregon PUC enforcement. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

##### Deferred Inflows of Resources

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and thus, will not be recognized as revenue until then.

# OREGON UTILITY NOTIFICATION CENTER

## Notes to Financial Statements

Years Ended December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

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### Note 1 - Summary of Significant Accounting Policies, continued

#### Net Position

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

- Invested in capital assets, net of related debt – consist of all capital assets, net of accumulated depreciation, reduced by any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of the assets. The Agency does not have any funds invested in capital assets nor does the Agency hold any debt as of December 31, 2018 and 2017.
- Restricted – consist of external constraints placed on fund net assets by creditors, grantors, contributors, or the laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Agency does not have any restricted funds as of December 31, 2018 and 2017.
- Unrestricted – consist of all other activity that is not included in the other categories previously mentioned.

### Note 2 - Stewardship, Compliance, and Accountability

Generally, governmental entities are required to present budgetary comparison schedules as supplemental information when the entity is required to adopt a budget in order for the entity to have legal authority to spend resources. As the result of enacting legislation and the special purpose of the Agency, it is not required to have a legally adopted budget. However, the Board of Directors chooses to establish and adopt an operating budget on an annual basis for the purpose of Agency oversight.

### Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31:

	2018	2017
General checking	\$ 191,570	\$ 244,024
Money market funds	127,689	127,498
Certificate of deposit	123,253	123,129
Total cash and cash equivalents	<u>\$ 442,512</u>	<u>\$ 494,651</u>

The certificate of deposit matures every twelve months, in February of each year, and earns 0.1% interest.

### Note 4 - One-Call Concepts Agreement

Pursuant to ORS 757.552, the Agency has a current State of Oregon professional services contract with OCC. OCC operates the One-Call Center (the Center) that is available to process locate requests seven days a week and 24 hours a day. A "locate" is the industry term used for the process of locating and marking underground utility facilities.

The Center is an information gathering service that identifies utility operators with facilities in a designated excavation area. The Center then notifies all utility operators of the proposed excavation and the utility operators are then responsible for locating and marking their underground facilities. The utility operators may use their own employees to perform locates or they may hire a private company to perform the necessary locates.

## **OREGON UTILITY NOTIFICATION CENTER**

### **Notes to Financial Statements**

Years Ended December 31, 2018 (Reviewed) and 2017 (Compiled)

See Independent Accountants' Report

---

#### **Note 4 - One-Call Concepts Agreement, continued**

The Agency contracted with OCC for the period from January 1, 2017 through December 31, 2020. The contract includes a schedule of rates charged to the Agency based on incoming calls received by OCC with discounts applied to requests received via specific electronic methods.

#### **Note 5 - Concentrations**

Approximately 97% of the Agency's revenues for the year ended December 31, 2018 are derived from member assessments in accordance with the agreement with OCC (99% for the year ended December 31, 2017). Approximately 81% of the Agency's expenses for the year ended December 31, 2018 are derived from contracted "One Call" services in accordance with the agreement with OCC (83% for the year ended December 31, 2017).

#### **Note 6 - Related Parties**

One member of the Agency's Board of Directors represents the Oregon Utilities Coordinating Council (OUCC), an Oregon 501(c)(3) organization. The OUCC is dedicated to promoting organized planning and installation of underground facilities as well as protecting those substructures once placed. The Agency provided funding to support the operations of the OUCC in the amount of \$60,000 in 2018 (\$60,000 in 2017).