

CITY OF BANKS

Washington County, Oregon

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2020

CITY OF BANKS

Washington County, Oregon

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CITY OF BANKS

Washington County, Oregon

CITY OFFICIALS

June 30, 2020

MAYOR

Term Expires

Pete Edison
Banks, Oregon 97106

December 31, 2020

COUNCIL PRESIDENT

Mark Gregg
Banks, Oregon 97106

December 31, 2022

COUNCIL

Marsha Kirk
Banks, Oregon 97106

December 31, 2022

Michael Nelson
Banks, Oregon 97106

December 31, 2020

Erica Harold-Heine
Banks, Oregon 97106

December 31, 2022

Stephanie Jones
Banks, Oregon 97106

December 31, 2020

Mike Lyda
Banks, Oregon 97106

December 31, 2020

CITY MANAGER

Jolynn Becker
13680 NW Main St.
Banks, Oregon 97106

CITY RECORDER

Angie Lanter
13680 NW Main St.
Banks, Oregon 97106

DENNIS R. CONNER
CERTIFIED PUBLIC ACCOUNTANT
CLATSKANIE, OREGON 97016

INDEPENDENT AUDITOR'S REPORT

Modified Cash Basis Financial Statements

To the Mayor and Council
City of Banks
Washington County, Oregon

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Banks (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Emphasis of Matter

The City uses the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Report on Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The budgetary comparison schedules, and other financial schedules listed in the table of contents, and the management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on such information.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for audits of Oregon Municipal Corporations, I have also issued my report dated November 23, 2020, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Dennis R. Conner
Certified Public Accountant
November 23, 2020

City of Banks

Management Discussion and Analysis

FYE June 30, 2020

This Management Discussion and Analysis of the City of Banks financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds.

The following is condensed financial information for the prior and current fiscal years, prepared on the modified cash basis of accounting as described in Note 1 of the basic financial statements.

CITY OF BANKS - NET POSITION

	Governmental Activities <u>June 30, 2019</u>	Governmental Activities <u>June 30, 2020</u>	Business-Type Activities <u>June 30, 2019</u>	Business-Type Activities <u>June 30, 2020</u>	Total <u>June 30, 2019</u>	Total <u>June 30, 2020</u>	Increase (Decrease)
ASSETS							
Cash and Cash Equivalents	\$ 2,503,421	\$ 2,599,039	\$ 405,776	\$ 477,444	\$ 2,909,197	\$ 3,076,483	\$ 167,286
Capital Assets, Net of Depreciation	<u>2,816,897</u>	<u>3,178,973</u>	<u>4,172,974</u>	<u>4,369,854</u>	<u>6,989,871</u>	<u>7,548,827</u>	<u>558,956</u>
Total	<u>5,320,318</u>	<u>5,778,012</u>	<u>4,578,750</u>	<u>4,847,298</u>	<u>9,899,068</u>	<u>10,625,310</u>	<u>726,242</u>
LIABILITIES							
Bonds Payable	<u>81,813</u>	<u>71,402</u>	<u>1,574,594</u> *	<u>1,812,456</u>	<u>1,656,407</u>	<u>1,883,858</u>	<u>227,451</u>
Total Net Position	<u>\$ 5,238,505</u>	<u>\$ 5,706,610</u>	<u>\$ 3,004,156</u>	<u>\$ 3,034,842</u>	<u>\$ 8,242,661</u>	<u>\$ 8,741,452</u>	<u>\$ 498,791</u>

* After adjustment

CITY OF BANKS - CHANGE IN NET POSITION

	Governmental Activities 2018-19	Governmental Activities 2019-20	Business-Type Activities 2018-19	Business-Type Activities 2019-20	Total 2018-19	Total 2019-20	Variance Favorable (Unfavorable)
<u>PROGRAM RECEIPTS</u>							
Charges for Services	\$ 834,031	\$ 363,264	\$ 821,126	\$ 779,024	\$ 1,655,157	\$ 1,142,288	\$ (512,869)
Operating Grants	36,837	74,350	-	-	36,837	74,350	37,513
Total	870,868	437,613	821,126	779,024	1,691,994	1,216,638	(475,356)
<u>GENERAL RECEIPTS</u>							
Property Taxes	554,731	560,359	-	-	554,731	560,359	5,628
Intergovernmental	448,928	470,307	-	-	448,928	470,307	21,379
Interest	56,513	52,969	8,276	9,671	64,789	62,640	(2,149)
Grants & Donations	273,034	229,585	9,646	-	282,680	229,585	(53,095)
Miscellaneous	36,840	19,950	1,308	323	38,148	20,273	(17,875)
Total	1,370,046	1,333,169	19,230	9,994	1,389,276	1,343,163	(46,113)
Total Receipts	2,240,914	1,770,783	840,356	789,018	3,081,270	2,559,801	(521,469)
<u>EXPENSES</u>							
Administrative	(457,541)	(369,187)	-	-	(457,541)	(369,187)	88,354
Library	(327,817)	(326,128)	-	-	(327,817)	(326,128)	1,689
Police	(277,145)	(335,663)	-	-	(277,145)	(335,663)	(58,518)
Streets & Roads	(109,949)	(93,655)	-	-	(109,949)	(93,655)	16,294
Parks & Other	(103,511)	(79,697)	-	-	(103,511)	(79,697)	23,814
Depreciation	(81,464)	(98,349)	-	-	(81,464)	(98,349)	(16,885)
Water	-	-	(629,173)	(758,331)	(629,173)	(758,331)	(129,158)
Total	(1,357,427)	(1,302,679)	(629,173)	(758,331)	(1,986,600)	(2,061,010)	(74,410)
Increase (Decrease) in Net Position	\$ 883,487	\$ 468,104	\$ 211,183	\$ 30,687	\$ 1,094,670	\$ 498,791	\$ (595,879)

Report Components

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting as described in the notes to financial statements.

Basic Financial Statements

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities provide information about the City's government-wide (or "as a whole") activities, and include information about long-term debt, capital assets, and associated depreciation.

Fund Financial Statements: Fund financial statements focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant ("major") funds. For the City of Banks as a governmental entity, these statements tell how these services were financed in the short term as well as what remains for future spending.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements, and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information - The General Fund and other fund budgetary comparison schedules and other financial information are provided to address specific needs of various users of the report.

Management's Direct Comments

Overall Financial Position

The City is financially sound. The Budget is balanced. There are sufficient funds to cover all of the accounts. Overall cash assets are adequate to sustain ongoing operations in the City and to provide continued service at the existing level. We operate during the fiscal year from a spending plan, continuously monitoring revenues actually realized and anticipating expenditures appropriately timed. Our income to debt ratio is at a satisfactory level and our financial management, including financial monitoring, is sound and accurate. The City is in compliance with all federal, state and county financial regulations.

Significant Transactions and Changes

During the Fiscal Year ended June 30, 2020 the City of Banks:

- Continued to operate the Public Safety Local Option Levy which expires on June 30, 2022.
- Continued to operate under the Countywide Library Local Option Levy, extended by the electorate of Washington County (including residents of the City of Banks).
- Continued the use of the Unappropriated Ending Fund Balances in regular operating Funds to adequate levels.
- Continued the funding of employee vacation bank liability and percent of the sick leave liability in regular operating Funds to adequate levels.
- Conducted multiple annual comprehensive insurance and surety reviews with staff and insurance agent representation.
- Continued to institutionalize the Internal Audit Subcommittee of the Banks City Council with ongoing meetings being held.
- Continued Water System Master Plan Capital Improvement Plan (CIP) project implementation.
- Continued to utilize the City of Banks website to enhance communications with the citizenry.
- Adopted a Resolution permitting inter-fund loan to the Library Fund #03 and Water Fund #02, to be repaid in the Fiscal Year. It is not anticipated that the authority will be utilized except in extraordinary circumstances.
- Completed a Water Rate Study that is span the next 5 years. New water rates were implemented beginning October 1, 2017, which annual increases on July 1, 2018, 2019, 2020, and 2021.

Variations between Adopted and Actual Budget Amounts

During the Fiscal Year Ended June 30, 2020 the City of Banks did not make budget changes to the originally adopted Operating Budget.

Final budget amounts are consistent with final actual budget amounts for the General Fund.

Major Fund ending fund balances are higher than originally projected as tabulated below:

No.	Fund	Budgeted Ending Balance	Actual Ending Balance
1	General	\$ 102,280	\$ 505,825
2	Water	94,110	240,736
3	Library	14,900	42,837
4	Street/Road	71,210	310,427
5	Water Bonded Debt	43,720	46,687
6	Traffic Impact	-	452,551
7	Police	56,200	302,213
8	System Development	-	140,605
9	Water Depreciation	-	43,574
10	Parks	19,745	35,100
11	Traffic Development Tax	-	382,101
12	Transportation SDC	-	269,164
13	Capital Projects Reserve	-	225,375
14	Capital Projects	-	-
16	Water Utility Reserve	-	5,843
17	Water Utility Projects	-	-
18	Parks SDC	-	73,447
	Urban Renewal	-	79,341
	Total	<u>\$ 402,165</u>	<u>\$ 3,155,823</u>

Capital Asset and Long-Term Debt Activity

While no new capital asset activity is noted, significant capital asset activity has occurred, which has required indebtedness to accomplish replacement and upgrade of Water Utility infrastructure, This project is being funded with Safe Drinking Water Revolving Loan in the amount of \$4,830,000.

The long-term Water Utility debt will remain relatively moderate as we proceed with normal capital maintenance of the water distribution system, and execution of the Water System Master Plan Capital Improvement Plan.

Changes in Assessed Condition of Infrastructure Assets

There have been no significant changes in the assessed condition of eligible infrastructure assets of the City.

Facts, Decisions, and Conditions Affecting Next Year and Beyond

In the coming Fiscal Year, and beyond, the City of Banks:

- Will receive a credit for Public Employee Retirement System (PERS) contributions.
- Will continue full funding of employee vacation bank liability.
- Will continue to implement the new water rates for the Water Utility.
- Will begin replacement of approximately 6 miles of water distribution main from the municipal spring water source to the main reservoir.
- Will continue to repair water distribution system infrastructure.
- Will accept annexation petitions when presented.
- Will complete the looping of water mains in the City.
- Will replace water lines along Cedar Canyon Road and Banks Road.
- Will complete the upgrades to Greenville City Park.

Financial and Managerial Personnel

City Manager:	Jolynn Becker
City Recorder:	Angie Lanter
Finance Director:	Jolynn Becker
Public Works Director:	Jolynn Becker
Library Director:	Denise Holmes
Public Works Administrative Assistant / Water Clerk:	Chrystina Vilar

For questions about this MD&A, or additional financial information, contact the City of Banks Finance Director at 13680 NW Main Street, Banks, Oregon 97106, or by telephone at 503-324-5112, extension 102.

CITY OF BANKS

Washington County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2020

	Governmental Activities	Business-Type Activities	Total	Urban Renewal Agency
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,599,039	\$ 430,757	\$ 3,029,796	\$ 79,341
Restricted for Debt Service	-	46,687	46,687	-
Capital Assets:				
Land & Projects in Progress	898,142	1,430,375	2,328,517	-
Other Capital Assets, Net of Depreciation	2,280,831	2,939,479	5,220,310	-
<u>Total Assets</u>	5,778,012	4,847,298	10,625,310	79,341
<u>LIABILITIES</u>				
Long-term Liabilities:				
Due in One Year	10,907	173,378	184,285	-
Due in More Than One Year	60,495	1,639,078	1,699,573	-
<u>Total Liabilities</u>	71,402	1,812,456	1,883,858	-
<u>NET POSITION</u>				
Net Investment in Capital Assets	3,107,571	2,557,398	5,664,969	-
Restricted For:				
Debt Service	-	46,687	46,687	-
Other Purposes	1,334,355	-	1,334,355	79,341
Unrestricted	1,264,683	430,757.17	1,695,441	-
<u>Total Net Position</u>	\$ 5,706,610	\$ 3,034,842	\$ 8,741,452	\$ 79,341

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year Ended June 30, 2020

	<u>Program Receipts and Expenses</u>			<u>Net (Expense) Receipts and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Grants</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>	
PRIMARY GOVERNMENT							
<u>Government Activities</u>							
Administrative	\$ (369,187)	\$ 337,021	\$ 19,236	\$ (12,930)	\$ -	\$ (12,930)	
Library	(326,128)	-	5,114	(321,014)	-	(321,014)	
Police	(335,663)	9,293	-	(326,370)	-	(326,370)	
Streets and Roads	(93,655)	-	50,000	(43,655)	-	(43,655)	
Parks & Other	(79,697)	16,950	-	(62,747)	-	(62,747)	
Depreciation	(98,349)	-	-	(98,349)	-	(98,349)	
	<u>(1,302,679)</u>	<u>363,264</u>	<u>74,350</u>	<u>(865,065)</u>	<u>-</u>	<u>(865,065)</u>	
<u>Business-Type Activities</u>							
Water	(758,331)	779,024	-		20,693	20,693	
Total Primary Government	<u>(2,061,010)</u>	<u>1,142,288</u>	<u>74,350</u>	<u>(865,065)</u>	<u>20,693</u>	<u>(844,372)</u>	
<u>Component Unit</u>							
Urban Renewal Agency	<u>(635)</u>						<u>(635)</u>
<u>General Receipts</u>							
Property Taxes				560,359	-	560,359	50,639
Intergovernmental				470,307	-	470,307	-
Grants & Donations				229,585	-	229,585	-
Interest				52,969	9,671	62,640	1,232
Miscellaneous				19,950	323	20,273	-
				<u>1,333,169</u>	<u>9,994</u>	<u>1,343,163</u>	<u>51,871</u>
CHANGE IN NET POSITION				<u>468,104</u>	<u>30,687</u>	<u>498,791</u>	<u>51,236</u>
NET POSITION, Beginning (as reported)				<u>5,238,505</u>	<u>3,539,809</u>	<u>8,778,314</u>	<u>28,105</u>
Prior Period Adjustment (see note p. 29)				<u>-</u>	<u>(535,653)</u>	<u>(535,653)</u>	<u>0</u>
NET POSITION, Beginning (as adjusted)				<u>5,238,505</u>	<u>3,004,156</u>	<u>8,242,661</u>	<u>28,105</u>
NET POSITION, Ending				<u>\$ 5,706,610</u>	<u>\$ 3,034,842</u>	<u>\$ 8,741,452</u>	<u>\$ 79,341</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Library Fund	Street and Road Fund	Traffic Fee Reserve Fund	Police Fund	Transportation Development Tax Reserve Fund #11	Capital Projects Reserve Fund #14	Non- Major Funds	Total
<u>ASSETS</u>									
Cash and Cash Equivalents	<u>\$505,825</u>	<u>\$42,837</u>	<u>\$310,427</u>	<u>\$452,551</u>	<u>\$302,213</u>	<u>\$382,101</u>	<u>\$-</u>	<u>\$603,085</u>	<u>\$2,599,039</u>
<u>FUND BALANCES</u>									
Restricted - Special Revenue Funds	-	-	310,427	452,551	302,213	-	-	269,164	1,334,355
Committed - Special Revenue Funds	-	42,837	-	-	-	-	-	108,547	151,383
Committed - Capital Project Funds	-	-	-	-	-	382,101	-	225,375	607,476
Unassigned	<u>505,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,825</u>
Total	<u>505,825</u>	<u>42,837</u>	<u>310,427</u>	<u>452,551</u>	<u>302,213</u>	<u>382,101</u>	<u>-</u>	<u>603,085</u>	<u>2,599,039</u>

Reconciliation to Statement of Net Position

Fund Balances	\$ 2,599,039
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities net of accumulated depreciation are not <u>financial</u> resources, and therefore not reported in the fund statements.	3,178,973
Long term debt obligations payable are not due and payable in this reporting period, and therefore are not reported in the fund statements.	<u>(71,402)</u>
Net Position of Government Activities	<u>\$ 5,706,610</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	General Fund	Library Fund	Street & Road Fund	Traffic Fee Reserve Fund	Police Fund	Transportation Development Tax Reserve Fund #11	Capital Projects Fund #14	Non-Major Funds	Total
<u>RECEIPTS</u>									
Taxes	\$ 255,544	\$ -	\$ -	\$ -	\$ 304,815	\$ -	\$ -	\$ -	\$ 560,359
Intergovernmental	60,199	243,818	166,291	-	-	-	-	-	470,307
Fines and Forfeitures	6,303	2,990	-	-	-	-	-	-	9,293
Licenses, Permits and Fees	224,462	-	-	-	-	45,626	-	66,933	337,021
Charges for Services	-	-	-	-	-	-	-	16,950	16,950
Interest	10,022	1,162	6,405	9,438	7,166	7,505	-	11,271	52,969
Grants & Donations	19,236	5,114	50,000	-	-	-	229,585	-	303,935
Miscellaneous	3,347	6,846	3,129	-	-	-	-	6,628	19,950
Total	579,112	259,929	225,824	9,438	311,981	53,131	229,585	101,783	1,770,783
<u>EXPENDITURES</u>									
Current:									
Administrative	368,787	-	-	-	-	-	-	-	368,787
Police	-	-	-	-	335,663	-	-	-	335,663
Library	-	323,036	-	-	-	-	-	-	323,036
Streets & Roads	-	-	92,355	1,300	-	-	-	-	93,655
Parks & Other	-	-	-	-	-	-	-	76,372	76,372
Capital Outlay	-	-	221,840	-	-	-	229,585	12,325	463,750
Debt Service	1,593	12,311	-	-	-	-	-	-	13,904
Total	370,380	335,346	314,195	1,300	335,663	-	229,585	88,697	1,675,165
RECEIPTS OVER (UNDER) EXPENDITURES	208,732	(75,417)	(88,370)	8,138	(23,682)	53,131	-	13,086	95,618
<u>OTHER FINANCING SOURCES</u>									
Transfers In	-	69,223	-	-	-	-	-	60,305	129,528
Transfers (Out)	(129,528)	-	-	-	-	-	-	-	(129,528)
Total	(129,528)	69,223	-	-	-	-	-	60,305	-
NET CHANGE IN FUND BALANCES	79,204	(6,194)	(88,370)	8,138	(23,682)	53,131	-	73,391	95,618
FUND BALANCES, Beginning	426,620	49,031	398,798	444,413	325,895	328,970	-	529,695	2,503,421
FUND BALANCES, Ending	\$ 505,825	\$ 42,837	\$ 310,427	\$452,551	\$302,213	\$ 382,101	\$ -	\$ 603,085	\$2,599,039
<u>Reconciliation to Statement of</u>									
Net Change in Fund Balances - Total Governmental Funds									\$ 95,618
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.									
Net Capital Asset Additions									460,425
Depreciation Expense									(98,349)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Activities.									
Loan Payments									10,411
Change in Net Position of Governmental Activities									<u>\$ 468,104</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS - COMBINED

June 30, 2020

	<u>Water</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 430,757
Cash Restricted for Debt Service	46,687
<u>Noncurrent Assets:</u>	
Land & Projects in Progress	1,430,375
Other Capital Assets, Net of Depreciation	<u>2,939,479</u>
<u>Total Assets</u>	<u>4,847,298</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loans Payable	173,378
<u>Noncurrent Liabilities:</u>	
Loans Payable	<u>1,639,078</u>
<u>Total Liabilities</u>	<u>1,812,456</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,557,398
Restricted for Debt Service	46,687
Unrestricted	<u>430,757</u>
<u>Total Net Position</u>	<u>\$ 3,034,842</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF RECEIPTS, EXPENSES, AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS - COMBINED

Year Ended June 30, 2020

	<u>Water</u>
<u>OPERATING RECEIPTS</u>	
Water Sales	\$ 760,551
SDC Charges	18,474
Total	<u>779,024</u>
<u>OPERATING EXPENSES</u>	
Water Expenses Paid	(570,165)
Depreciation Expense	(136,694)
Total	<u>(706,859)</u>
OPERATING INCOME (LOSS)	<u>72,165</u>
<u>NON-OPERATING RECEIPTS</u>	
Interest Earned	9,671
Other Receipts	323
Total	<u>9,994</u>
<u>NON-OPERATING EXPENSES</u>	
Interest Expense	<u>(51,472)</u>
CHANGE IN NET POSITION	<u>30,687</u>
<u>NET POSITION</u> , Beginning (as reported)	3,539,809
Prior Period Adjustment (see note p. 29)	<u>(535,653)</u>
<u>NET POSITION</u> , Beginning (as adjusted)	<u>3,004,156</u>
<u>NET POSITION</u> , Ending	<u><u>\$ 3,034,842</u></u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS - COMBINED

Year Ended June 30, 2020

	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts From Customers	\$ 779,024
Payment to Suppliers	(283,346)
Payments to Employees	(286,820)
Net Cash Provided by (Used In) Operating Activities	<u>208,859</u>
 <u>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</u>	
Transfers From Other Funds	37,000
Transfers To Other Funds	(37,000)
Net Cash Provided by (Used In) Financing Activities	<u>-</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Assets	(333,574)
Loan Proceeds	393,035
Payments of Debt Principal	(155,173)
Payments of Debt Interest	(51,472)
Net Cash Used in Capital and Related Financing Activities	<u>(147,184)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest and Other Receipts	<u>9,994</u>
 <u>NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS</u>	
	71,669
<u>CASH BALANCE, Beginning</u>	<u>405,776</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 477,445</u>
 Reconciliation of Operating Income to net cash provided by Operating Activities:	
Operating Income	\$ 72,165
Adjustment for Depreciation Expense	<u>136,694</u>
Net Cash Provided by Operating Activities	<u>\$ 208,859</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1A FINANCIAL REPORTING ENTITY

The City's financial reporting entity is composed of the following:

Primary Government: CITY OF BANKS

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, The Financial Reporting Entity.

1B BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: government and proprietary. Proprietary funds are also referred to as enterprise funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City.

The City includes the following special revenue funds:

<u>Fund</u>	<u>Brief Description</u>
<u>Library Fund</u>	This fund accounts for revenues and expenditures designated for operating the library. The principal funding sources are intergovernmental receipts from Washington County and transfers from the General Fund. It is a major fund.
<u>Street and Road Fund</u>	This fund accounts for Oregon gasoline tax apportionments and expenditures for those street improvements specified by Oregon Revised Statutes. It is a major fund.
<u>Police Fund</u>	This fund accounts for revenues and expenditures designated for operating the police department. It is funded by local option tax receipts. It is a major fund.
<u>Parks and Trees Fund</u>	This fund accounts for operation of the city parks and trees. It is partially funded by park maintenance fees paid by a local homeowner's association and transfers from the General Fund. It is a non-major fund.

Capital Projects Funds

Capital projects funds are used to account for resources that are restricted, committed, or assigned to expenditures for capital outlays.

The City has the following capital projects funds:

<u>Fund</u>	<u>Brief Description</u>
<u>Traffic Impact Fees Reserve Fund #06</u>	This fund accounts for revenue designated for street and road improvements. It is a major fund.
<u>Transportation Development Tax Reserve Fund #11</u>	This fund accounts for revenue designated for street and road improvements. It is a major fund.
<u>Transportation SDC Fund #12</u>	This fund accounts for funds spent on transportation capital projects. It is funded by transportation SDC charges. It is a non-major fund.
<u>Capital Project Reserve Fund #13</u>	This fund accounts for funds set aside for purchase of capital projects. It is funded by revenue not designated for other uses. It is a non-major fund.
<u>Capital Projects Fund #14</u>	This fund accounts for funds being spent on building capital projects. It is a major fund.
<u>Park SDC Fund</u>	This fund accounts for revenue designated for park system improvements. It is a non-major fund.

FUND BALANCE:

Governmental fund balances are categorized in five ways:

- 1) **Non-spendable** - resources that must be maintained intact due to legal or contractual requirements, such as the principal of an endowment.
- 2) **Restricted** - that portion of a fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by creditors, contributors, or laws and regulations.
- 3) **Committed** - that portion of a fund balance that reflects limitations the City imposes on itself by action of the Council.
- 4) **Assigned** - that portion of a fund balance that reflects its intended use. Authority for an assigned fund balance can be delegated by the Council to another body (such as a committee) or an official of the City.
- 5) **Unassigned** - that portion of the General Fund balance that does not fall within one of the categories above.

Special Revenue Funds:

If a special revenue fund (other than debt service or capital projects funds) does not have a substantial portion of its revenues coming from a source (or sources) with restrictions specified for the use of those funds, it will be considered to be part of the General Fund in the governmental funds financial statements. Funds whose principal source of revenue is transfers from other funds will generally be combined into the General Fund.

The City has no special revenue funds that need to be combined with the General Fund.

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises: 1) where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or 2) where the government's council has decided that periodic determination of net income is appropriate for accountability purposes. The City has one enterprise fund for water service.

URBAN RENEWAL DISTRICT

The Banks Urban Renewal Plan (Plan) was developed for the Banks City Council (City Council) with cooperative input from an Advisory Committee that was formed for this purpose. The Plan also includes input from the community received at a public open house and public meetings and hearings before the Planning Commission, City Council, and Washington County Board of Commissioners.

1C MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

The governmental fund financial statements use a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The governmental fund types are maintained

using the modified accrual basis of accounting whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred except for interest expense on long-term debt, which is recorded as due.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The City considers revenues available if they are collected within 60 days of year-end with the exception of investment interest, which is recognized when earned. Significant revenues, which are measurable and available under the modified accrual basis of accounting, are property tax revenues.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements and governmental business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation and interest expense in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

1D ASSETS, LIABILITIES, AND NET POSITION

CASH AND CASH EQUIVALENTS

The City considers cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool are the same as the value of the pool shares.

CAPITAL ASSETS

Government-Wide Financial Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their fair market value at the time of acquisition.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Life</u>
Land	Permanent
Buildings	20-40 Years
Equipment	2-10 Years
Vehicles	2-10 Years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

NET POSITION CLASSIFICATION

Government-Wide Financial Statements

Net Position is classified and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted - Consists of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments: or (2) law though constitutional provisions or enabling legislation.
- c. Unrestricted - All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted assets prior to the use of unrestricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Fund Financial Statements

Governmental fund net position is classified as fund balances. Proprietary fund net position is classified the same as in the government-wide statements.

1E RECEIPTS, EXPENDITURES, AND EXPENSES

PROGRAM RECEIPTS

In the Statement of Activities, modified cash basis receipts that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program receipts. The City has program receipts in the following activity:

Charges for Water Service: Charges to water customers for usage of City water.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

OPERATING RECEIPTS AND EXPENDITURES

Operating receipts and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and expenses not related to capital and related financing, noncapital financing, or investing activities.

1F INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
- b. Internal activities - Amount reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements;

- a. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- c. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustment to expenditures/expenses in the respective funds.
- d. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

1G USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

2A BUDGETARY INFORMATION

The City budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified cash basis of accounting.

2B CONTRACTUAL REGULATIONS

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City has no instances of noncompliance that are considered material to the financial statements.

Note 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A CASH AND INVESTMENTS

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on a combined balance sheet as Cash and Cash Equivalents. Deposits with financial institutions consist of bank demand deposits.

Cash and investments are recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2020. Cash and investments of the City at June 30, 2020 were:

US Bank Checking Account	\$ 123,604
Local Government Investment Pool - Debt	49,287
Local Government Investment Pool	2,981,021
Office Petty Cash & Postage Machine	1,912
Total	<u>\$ 3,155,824</u>

Deposits: The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$250,000 applies respectively, to total demand deposits and to total savings accounts at each financial institution. Where balances exceed \$250,000, banks are required to pledge collateral, based on their capital condition. Banks are required to provide quarterly reporting of their public funds deposits to the State Treasurer's office, which will be the basis for their collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25% if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits which is monitored on a weekly basis. At June 30, 2020, total demand deposits and savings accounts per bank statements were \$237,977. All these deposits were covered by federal depository insurance.

Investments: The City's cash management policies are governed by state statutes. Statutes authorize the City to invest in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States' agencies and instrumentalities and the Oregon State Treasurer's Local Government Investment Pool (LGIP). On June 30, 2020, the City had invested \$3,030,308 with the Oregon Short-Term Fund (ORTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's comprehensive Annual Financial Report. The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value on June 30, 2020.

Credit Risk: The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment office for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and

maturities of the investments. The overall credit quality of the pool is not rated. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2020 was unqualified.

Concentration Risk: The City had concentrations in the following investment: LGIP 96.0%.

Interest Rate Risk: The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

3B CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
GOVERNMENTAL ACTIVITIES				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 668,557	\$ -	\$ -	\$ 668,557
Construction in Progress	554,033	229,585	(554,033)	229,585
Total	<u>\$ 1,222,590</u>	<u>\$ 229,585</u>	<u>\$ (554,033)</u>	<u>\$ 898,142</u>
<u>Depreciable Capital Assets</u>				
Infrastructure	641,948	775,873	-	1,417,821
Buildings	1,524,254	-	-	1,524,254
Vehicles & Equipment	150,921	9,000	-	159,921
Total	<u>2,317,123</u>	<u>784,873</u>	<u>-</u>	<u>3,101,996</u>
<u>Less Accumulated Depreciation For:</u>				
Infrastructure	(233,919)	(50,679)	-	(284,598)
Buildings	(394,147)	(38,426)	-	(432,573)
Vehicles & Equipment	(94,750)	(9,244)	-	(103,994)
Total	<u>(722,816)</u>	<u>(98,349)</u>	<u>-</u>	<u>(821,165)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 1,594,307</u>	<u>\$ 686,524</u>	<u>\$ -</u>	<u>\$ 2,280,831</u>
Total Capital Assets, Net of Depreciation	<u>\$ 2,816,897</u>	<u>\$ 916,109</u>	<u>\$ (554,033)</u>	<u>\$ 3,178,973</u>
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
BUSINESS-TYPE ACTIVITIES				
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 583,133	\$ -	\$ -	\$ 583,133
Construction in Progress	539,905	311,589	(4,252)	847,242
Total	<u>1,123,038</u>	<u>311,589</u>	<u>(4,252)</u>	<u>1,430,375</u>
<u>Depreciable Capital Assets</u>				
Water System	4,880,120	19,252	-	4,899,372
Buildings	413,638	-	-	413,638
Equipment	194,174	6,985	-	201,159
Total	<u>5,487,932</u>	<u>26,237</u>	<u>-</u>	<u>5,514,169</u>
<u>Less Accumulated Depreciation For:</u>				
Water System	(2,204,110)	(116,746)	-	(2,320,856)
Buildings	(136,749)	(11,950)	-	(148,699)
Equipment	(97,137)	(7,998)	-	(105,135)
Total	<u>(2,437,996)</u>	<u>(136,694)</u>	<u>-</u>	<u>(2,574,690)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 3,049,936</u>	<u>\$ (110,457)</u>	<u>\$ -</u>	<u>\$ 2,939,479</u>
Total Capital Assets, Net of Depreciation	<u>\$ 4,172,974</u>	<u>\$ 201,132</u>	<u>\$ (4,252)</u>	<u>\$ 4,369,854</u>
TOTAL CAPITAL ASSETS, ALL ACTIVITIES	<u>\$ 6,989,871</u>	<u>\$ 1,117,241</u>	<u>\$ (558,285)</u>	<u>\$ 7,548,827</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:	\$98,349
Business-Type Activities:	\$136,694

The major capital expenditures for FY 19-20 included the project for Commerce St paving, sidewalk, and waterline, the Park St waterline, and replacement of the main water transmission line. The Commerce St project was completed in August 2019.

3C INTERFUND TRANSFERS AND BALANCES

Transfers are used to move unrestricted revenues to finance various expenditures that the City must account for in other funds in accordance with budgetary authorization. Transfers within the proprietary funds are generally used to finance debt payments and capital expenditures.

Transfers between funds of the government for the year ended June 30, 2020, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
1-General	\$ -	\$ 129,528
2-Water	-	37,000
3-Library	69,223	-
5-Water Bonded Debt	21,000	-
9-Water Depreciation Reserve	15,000	-
10-Parks	60,305	-
16- Water Utility Reserve	1,000	-
Total Transfers	<u>\$ 166,528</u>	<u>\$ 166,528</u>

INTERFUND BALANCES

At June 30, 2020 there were no interfund balances.

3D LONG-TERM DEBT

General Obligation Bonds - The government issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 year serial bonds, except for refunding issues.

The Safe Drinking Water Revolving Loan funded by the Oregon Economic and Community Development Department is payable from water user fees only.

The Water Revenue Bonds funded by the United States Department of Agriculture, Rural Utilities Service, are payable from water user fees only. Generally the United States Department of Agriculture, Rural Utilities Service issues 40 year bonds. However, in this instance the bonds were issued for 30 years.

The repayment schedule for this debt is shown below:

WATER FUND			
Safe Drinking Water Loan			
Oregon Economic & Community Development Dept.			
Interest Rate 4.5%			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020-21	49,278	4,535	53,813
2021-22	51,496	2,317	53,813
Balance 6/30/20	<u>\$ 100,774</u>	<u>\$ 6,852</u>	<u>\$ 107,626</u>

WATER BONDED DEBT FUND			
Water Slow Sand Filter			
Farmers Home Administration			
Interest Rate 5.0%			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020-21	14,100	6,720	20,820
2021-22	14,805	6,015	20,820
2022-23	15,545	5,275	20,820
2023-24	16,322	4,498	20,820
2024-25	17,138	3,682	20,820
2025-28	56,484	5,741	62,225
Balance 6/30/20	<u>\$ 134,394</u>	<u>\$ 31,931</u>	<u>\$ 166,325</u>

LOCAP Certificates of Participation, Series 2010B: In October, 2010 the City borrowed \$1,565,000 from US Bank through the League of Oregon Cities Cooperative Asset Financing Program, underwritten by Wedbush Securities. The funds will be used for upgrades to the City's water system, remodeling of the library, and a portion of the expansion of the public works building. The final payment is due on 7/1/2026. The underwriting and loan fees totaled \$52,163, resulting in a net to the City of \$1,512,838.

The repayment schedule for this loan is shown below:

Fiscal year	Coupon	MULTIPLE FUNDS			
		Principal	Interest	Expenses	Payment
2020-21	3.85%	110,000	29,843	1,500	141,343
2021-22	4.00%	115,000	25,608	1,500	142,108
2022-23	4.10%	115,000	21,008	1,500	137,508
2023-24	4.20%	120,000	16,293	1,500	137,793
2024-25	4.25%	125,000	11,253	1,500	
2025-26	4.40%	135,000	5,940	1,500	280,193
Balance 6/30/20		<u>\$ 720,000</u>	<u>\$ 109,943</u>	<u>\$ 9,000</u>	<u>\$ 838,943</u>

NEW LOAN - S18006

In November 2017, the Council authorized a loan from the Safe Drinking Water Revolving Loan Fund sponsored by the Oregon Infrastructure Finance Authority to finance several water system projects. The maximum amount of this loan was originally \$3,830,000. During FY 19-20 the agreement was amended to raise the maximum amount to \$4,830,000. Up to \$530,000 of this loan will be forgiven if certain conditions are met. The interest rate is not to exceed 2.15%. As of June 30, 2020, \$847,242 was drawn on this loan. An interest payment of \$5,688 was paid during FY 19-20.

PRIOR PERIOD ADJUSTMENT

An amount of \$535,653 was drawn on loan #S18006 during FY 18-19 as disclosed in the notes for that report. However, that amount was not disclosed in the financial statements for FY 18-19. No payments were made on this loan during FY 18-19.

NEW LOAN - S20011

During FY 19-20 the Council authorized an additional loan from the Safe Drinking Water Revolving Loan Fund sponsored by the Oregon Infrastructure Finance Authority to finance phase 1 of the City's water supply development. The estimated amount of this loan is \$172,954 with an interest rate of 2.08%, and the estimated forgivable amount is \$17,295. During FY 19-20 \$81,446 was drawn on this loan, and no payments were made.

Debt principal activity for the year ended June 30, 2020, was as follows:

PRINCIPAL					
Loan	Beginning Balance	Paid	Ending Balance	Due Within One Year	Due After One Year
<u>Business-Type</u>					
Safe Drinking Water Loan (OED)	\$ 147,930	\$ (47,156)	\$ 100,774	\$ 49,278	\$ 51,496
Water Slow Sand Filter (FHA)	147,822	(13,428)	134,394	14,100	120,294
LOCAP Loan - Water	743,189	(94,589)	648,600	110,000	538,600
Safe Drinking Water Loan S18006	535,653	-	847,242	-	847,242
Safe Drinking Water Loan S20011	-	-	81,446	-	81,446
Total	<u>1,574,594</u>	<u>(155,173)</u>	<u>1,812,456</u>	<u>173,378</u>	<u>1,639,078</u>
<u>Governmental</u>					
LOCAP Loan - Library	\$ 72,438	\$ (9,218)	\$ 63,220	\$ 9,657	\$ 53,563
LOCAP Loan - General Fund	9,375	(1,193)	8,182	1,250	6,932
Total	<u>81,813</u>	<u>(10,411)</u>	<u>71,402</u>	<u>10,907</u>	<u>60,495</u>
Total All Debt	<u>\$ 1,656,407</u>	<u>\$ (165,584)</u>	<u>\$ 1,883,858</u>	<u>\$ 184,285</u>	<u>\$ 1,699,573</u>

Total payment activity for the year ended June 30, 2020, was as follows:

TOTAL PAYMENTS				
Loan	Fund	Principal	Interest & Fees	Total
<u>Business-Type</u>				
Safe Drinking Water Loan (OED)	Water	\$ 47,156	\$ 6,657	\$ 53,813
Water Slow Sand Filter (FHA)	Water Debt	13,428	7,392	20,820
LOCAP Loan	Water	94,589	31,735	126,324
Safe Drinking Water Loan S18006	Water	-	5,688	5,688
Safe Drinking Water Loan S20011	Water	-	-	-
Total		<u>155,173</u>	<u>51,472</u>	<u>206,645</u>
<u>Governmental</u>				
LOCAP Loan	Library	9,218	3,093	12,311
LOCAP Loan	General	1,193	400	1,593
Total		<u>10,411</u>	<u>3,493</u>	<u>13,904</u>
Total All Debt		<u>\$ 165,584</u>	<u>\$ 54,965</u>	<u>\$ 220,549</u>

3E OPERATING LEASE

In December 2014 the City entered into an agreement with Unifi Equipment Finance to lease a Kyocera copier. The term of the lease is 60 months with a monthly payment of \$355. The future lease payments are shown below:

Year Ended June 30	Future Minimum Rental Payments
<u>2021</u>	<u>2,130</u>

Note 4 - OTHER NOTES

4A EMPLOYEE PENSION PLAN

General Information about the Pension Plan

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, 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. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf

Benefits Provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the 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 (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 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 PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered

service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (a defined benefit plan per 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:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

A member of the 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.

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.

3. OPSRP Individual Account Program (OPSRP IAP)

The Individual Account Program is a defined contribution plan as described below.

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, a member of the OPSRP Individual Account Program (IAP) 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.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation which became effective July 1, 2019. Contributions for the year ended June 30, 2020 for PERS, OPSRP, and IAP were \$81,422, excluding amounts to fund employer specific liabilities. The employer contribution rates are updated every two years. The City's PERS contribution rates for the year ended June 30, 2020 and the rates for the new year are shown below:

Rate Category	FY 19-20 Net Rate	FY 20-21 Net Rate
Tier 1 / Tier 2	14.08%	14.08%
OPSRP General	9.78%	9.78%
OPSRP Police & Fire	14.41%	14.41%

The contribution rate for the OPSRP Individual Account Program is 6 percent. The City pays this contribution.

Actuarial Assumptions

The employer contribution rates effective July 1, 2019, through June 30, 2021 were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an 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.

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2018
Measurement date	June 30, 2019
Experience Study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2.0% and graded COLA (1.25% / .15%) in accordance with Moro decision; blend based on service
Mortality	<i>Healthy retirees and beneficiaries:</i>
	RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

	<i>Active members:</i>
	RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	<i>Disabled retirees:</i>
	RP-2014 Disabled retirees, sex distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan’s portfolio, assumed asset allocation, and the long term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at: <http://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is our independent actuary’s opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

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

Changes in Plan Provisions Subsequent to Measurement Date

Effective with calendar year 2020, annual salary included in the calculation of Final Average Salary will be limited to \$195,000 (as indexed for inflation in future years).

The PERS Board was required to implement a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which will set actuarially determined contribution rates for the 2021-2023 biennium.

Effective January 1, 2020, contributions will also be charged on the payroll of rehired retirees.

Effective July 1, 2020 a portion of salary member contribution to the IAP will be redirected to Employee Pension Stability Accounts, which will help fund the defined benefits provided under Tier 1/Tier 2 and OPSRP. For Tier 1/Tier 2 members, the redirected amount will be 2.5% of salary, and for OPSRP members the amount will be .75% of salary. The redirection will only apply to members earning more than \$2,500 per month (indexed for inflation).

4B POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

PERS Retirement Health Insurance Account

Plan Description

The City contributes to the PERS 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 PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. 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 hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

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 RHIA 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 PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-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.

Contributions

PERS 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 are based on a percentage of payroll. The City's contribution rates for the period were 0.06% for Tier One/Tier Two members, and 0.00% for OPSRP members. The City's total contribution for the year ended June 30, 2019 was \$125, and one employee was covered under the plan.

Actuarial Methods and Assumptions

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 31st 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 ended on December 31, 2016.

Valuation date	December 31, 2018
Measurement date	June 30, 2019
Experience Study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend	Not applicable
Mortality	<i>Healthy retirees and beneficiaries:</i>
	RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	<i>Active members:</i>
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	<i>Disabled retirees:</i>
	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.

Long Term Expected Rate of Return & Discount Rate

The long term expected rate of return and discount rate are the same as for the PERS pension plan as disclosed in Note 4A

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the measurement date.

4C RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions	Purchased commercial insurance	None

Workers compensation, health, and life	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4D COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant loan programs from year to year. The grant loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is a party to various legal proceedings that normally occur in the course of governmental operations. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

SUPPLEMENTARY INFORMATION

CITY OF BANKS, OREGON

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2020

BUDGET LAW

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

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

Phase 1 begins the process. The budget officer puts together a proposed budget. In larger local governments, department heads or program managers may help. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.

Phase 2 is when the budget committee approves the budget. Statutes spell out who can be on the budget committee and who cannot. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

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

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

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

- Personal Services
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

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

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

PROPERTY TAX CALENDAR

The budget officer prepares a proposed budget.

Notice of the budget committee meeting is published.

The budget document is made available at or before the budget committee meeting at which the budget is presented.

The budget committee conducts at least one public meeting for receiving the budget message and the budget document, as well as providing opportunity for public questions or comments.

The budget committee approves the budget.

Notice of the public hearing and a summary of the approved budget is published.

The governing body conducts a public hearing on the approved budget.

The governing body, after public comment and deliberations, adopts the budget and enacts resolutions or ordinances accordingly by June 30.

The governing body certifies the entity's tax, if any, by July 15.

The lien and levy date of the tax is July 1.

Full payment receives a 3% discount if paid by November 15 of each year.

Real property taxes are delinquent if not paid in full by May 15 of the following year.

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GENERAL FUND

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Property Taxes and Related Items	\$ 230,400	\$ 230,400	\$ 255,544	\$ 25,144
Licenses, Permits, Fees	141,000	141,000	134,761	(6,239)
Intergovernmental	34,000	34,000	60,199	26,199
Interest	4,000	4,000	10,022	6,022
Grants & Donations	13,500	13,500	19,236	5,736
Court Fines, etc.	5,000	5,000	6,303	1,303
Community Development Fees & Grants	54,700	54,700	89,702	35,002
Miscellaneous	500	500	3,347	2,847
Total	483,100	483,100	579,112	96,012
 <u>CASH EXPENDITURES</u>				
Personnel Services	127,390	127,390	111,317	16,073
Material and Services	392,227	392,227	257,469	134,758
Debt Service	1,785	1,785	1,593	192
Operating Contingencies	28,173	28,173	-	28,173
Total	549,575	549,575	370,380	179,195
 RECEIPTS OVER (UNDER) EXPENDITURES	 (66,475)	 (66,475)	 208,732	 275,207
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Library Fund	(88,142)	(88,142)	(69,223)	18,919
Transfer to Park Fund	(79,000)	(79,000)	(60,305)	18,695
Total	(167,142)	(167,142)	(129,528)	37,614
 NET CHANGE IN CASH BALANCE	 (233,617)	 (233,617)	 79,204	 312,821
 <u>CASH BALANCE</u> , Beginning	 335,897	 335,897	 426,620	 90,723
 <u>CASH BALANCE</u> , Ending	 \$ 102,280	 \$ 102,280	 \$ 505,825	 \$ 403,545

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

LIBRARY FUND

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Circulation Reimbursement	\$ 226,398	\$ 226,398	\$ 243,818	\$ 17,420
Fines and Fees	5,000	5,000	2,990	(2,010)
Interest	1,100	1,100	1,162	62
Grants/Donations	37,725	37,725	5,114	(32,611)
Miscellaneous	4,000	4,000	6,846	2,846
Total	<u>274,223</u>	<u>274,223</u>	<u>259,929</u>	<u>(14,294)</u>
<u>CASH EXPENDITURES</u>				
Personnel Services	287,529	287,529	264,248	23,281
Material and Services	84,785	84,785	58,788	25,998
Capital Outlay	15,600	15,600	-	15,600
Debt Service	13,800	13,800	12,311	1,489
Total	<u>401,714</u>	<u>401,714</u>	<u>335,346</u>	<u>66,368</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(127,491)</u>	<u>(127,491)</u>	<u>(75,417)</u>	<u>52,074</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>88,142</u>	<u>88,142</u>	<u>69,223</u>	<u>(18,919)</u>
NET CHANGE IN CASH BALANCE	(39,349)	(39,349)	(6,194)	33,155
<u>CASH BALANCE, Beginning</u>	<u>54,249</u>	<u>54,249</u>	<u>49,031</u>	<u>(5,218)</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 14,900</u>	<u>\$ 14,900</u>	<u>\$ 42,837</u>	<u>\$ 27,937</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

STREETS AND ROADS FUND

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 166,291	\$ 36,291
Interest	500	500	6,405	5,905
Grants	502,000	502,000	50,000	(452,000)
Miscellaneous	100	100	3,129	3,029
Total	<u>632,600</u>	<u>632,600</u>	<u>225,824</u>	<u>(406,776)</u>
<u>CASH EXPENDITURES</u>				
Personnel Services	58,500	58,500	29,253	29,247
Material and Services	63,050	63,050	63,102	(52)
Capital Outlay	670,000	670,000	221,840	448,160
Contingency	61,303	61,303		61,303
Total	<u>852,853</u>	<u>852,853</u>	<u>314,195</u>	<u>538,658</u>
NET CHANGE IN CASH BALANCE	(220,253)	(220,253)	(88,370)	131,883
<u>CASH BALANCE</u> , Beginning	<u>291,463</u>	<u>291,463</u>	<u>398,798</u>	<u>107,335</u>
<u>CASH BALANCE</u> , Ending	<u>\$ 71,210</u>	<u>\$ 71,210</u>	<u>\$ 310,427</u>	<u>\$ 239,217</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

TRAFFIC IMPACT FEES RESERVE FUND - #6

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 9,438</u>	<u>\$ 6,938</u>
 <u>CASH EXPENDITURES</u>				
Materials & Services	<u>1,440</u>	<u>1,440</u>	<u>1,300</u>	<u>140</u>
Capital Outlay	<u>444,785</u>	<u>444,785</u>	<u>-</u>	<u>444,785</u>
Total	<u>446,225</u>	<u>446,225</u>	<u>1,300</u>	<u>444,925</u>
 NET CHANGE IN CASH BALANCE	<u>(443,725)</u>	<u>(443,725)</u>	<u>8,138</u>	<u>451,863</u>
 <u>CASH BALANCE, Beginning</u>	<u>443,725</u>	<u>443,725</u>	<u>444,413</u>	<u>688</u>
 <u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,551</u>	<u>\$ 452,551</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

POLICE SERVICES FUND - #7

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Local Option Tax	\$ 273,665	\$ 273,665	\$ 304,815	\$ 31,150
Interest	3,500	3,500	7,166	3,666
Total	<u>277,165</u>	<u>277,165</u>	<u>311,981</u>	<u>34,816</u>
<u>CASH EXPENDITURES</u>				
Personnel Services	10,210	10,210	8,978	1,232
Material and Services	336,246	336,246	326,685	9,561
Operating Contingency	<u>197,293</u>	<u>197,293</u>	-	<u>197,293</u>
Total	<u>543,749</u>	<u>543,749</u>	<u>335,663</u>	<u>208,086</u>
 NET CHANGE IN CASH BALANCE	 (266,584)	 (266,584)	 (23,682)	 242,902
 <u>CASH BALANCE</u> , Beginning	 <u>322,784</u>	 <u>322,784</u>	 <u>325,895</u>	 <u>3,111</u>
 <u>CASH BALANCE</u> , Ending	 <u>\$ 56,200</u>	 <u>\$ 56,200</u>	 <u>\$ 302,213</u>	 <u>\$ 246,013</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

TRANSPORTATION DEVELOPMENT TAX RESERVE FUND - #11

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Traffic Development Tax Reserve	\$ 87,060	\$ 87,060	\$ 45,626	\$ (41,434)
Interest	2,000	2,000	7,505	5,505
Total	<u>89,060</u>	<u>89,060</u>	<u>53,131</u>	<u>(35,929)</u>
 <u>CASH EXPENDITURES</u>				
Capital Outlay	<u>381,399</u>	<u>381,399</u>	<u>-</u>	<u>381,399</u>
 NET CHANGE IN CASH BALANCE	 (292,339)	 (292,339)	 53,131	 345,470
 <u>CASH BALANCE, Beginning</u>	 <u>292,339</u>	 <u>292,339</u>	 <u>328,970</u>	 <u>36,631</u>
 <u>CASH BALANCE, Ending</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 382,101</u>	 <u>\$ 382,101</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GOVERNMENTAL CAPITAL PROJECTS FUND #14

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Grants	<u>100,000</u>	<u>100,000</u>	<u>229,585</u>	<u>129,585</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>100,000</u>	<u>600,000</u>	<u>229,585</u>	<u>370,415</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer in From Water Utility Projects Fund #17	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
NET CHANGE IN CASH BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>CASH BALANCE</u> , Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>CASH BALANCE</u> , Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

COMBINING STATEMENT OF ASSETS & LIABILITIES - MODIFIED CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2020

	<u>Park Fund</u>	<u>Parks SDC Fund</u>	<u>Transportation SDC Reserve Fund #12</u>	<u>Capital Project Reserve Fund #13</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$35,100</u>	<u>\$ 73,447</u>	<u>\$ 269,164</u>	<u>\$ 225,375</u>	<u>\$ 603,085</u>
<u>FUND BALANCES</u>					
Restricted - Special Revenue Funds	\$ -	\$ -	\$ 269,164	\$ -	\$ 269,164
Committed - Special Revenue Funds	35,100	73,447	-	-	108,547
Committed - Capital Projects Fund	-	-	-	225,375	225,375
Total	<u>\$35,100</u>	<u>\$ 73,447</u>	<u>\$ 269,164</u>	<u>\$ 225,375</u>	<u>\$ 603,085</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

COMBINING STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES

MODIFIED CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	<u>Park Fund</u>	<u>Parks SDC Fund</u>	<u>Transportation SDC Reserve Fund #12</u>	<u>Capital Project Reserve Fund #13</u>	<u>Total</u>
<u>RECEIPTS</u>					
Licenses, Permits and Fees	\$ -	\$ 10,472	\$ 32,740	\$ 23,721	\$ 66,933
Charges for Services	16,950	-	-	-	16,950
Interest	350	1,421	5,230	4,270	11,271
Miscellaneous	6,628	-	-	-	6,628
Total	<u>23,929</u>	<u>11,893</u>	<u>37,970</u>	<u>27,991</u>	<u>101,783</u>
<u>EXPENDITURES</u>					
Personal Services	23,800	-	-	-	23,800
Materials & Services	52,572	-	-	-	52,572
Capital Outlay	11,025	650	650	-	12,325
Total	<u>87,397</u>	<u>650</u>	<u>650</u>	<u>-</u>	<u>88,697</u>
<u>RECEIPTS OVER (UNDER) EXPENDITURES</u>	<u>(63,468)</u>	<u>11,243</u>	<u>37,320</u>	<u>27,991</u>	<u>13,086</u>
<u>OTHER FINANCING SOURCES [USES]</u>					
Transfers In	60,305	-	-	-	60,305
<u>NET CHANGE IN CASH BALANCES</u>	(3,163)	11,243	37,320	27,991	73,391
<u>FUND BALANCES, Beginning</u>	<u>38,263</u>	<u>62,204</u>	<u>231,844</u>	<u>197,384</u>	<u>529,695</u>
<u>FUND BALANCES, Ending</u>	<u>\$35,100</u>	<u>\$ 73,447</u>	<u>\$ 269,164</u>	<u>\$ 225,375</u>	<u>\$ 603,085</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARKS & TREES FUND - #10

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Charges for Services	\$ 16,750	\$ 16,750	\$ 16,950	\$ 200
Interest	60	60	350	290
Miscellaneous	100	100	6,628	6,528
Total	<u>16,910</u>	<u>16,910</u>	<u>23,929</u>	<u>7,019</u>
<u>CASH EXPENDITURES</u>				
Personnel Services	32,690	26,690	23,800	2,890
Material and Services	43,400	57,400	52,572	4,828
Capital Outlay	20,000	12,000	11,025	975
Contingency	763	763	-	763
Total	<u>96,853</u>	<u>96,853</u>	<u>87,397</u>	<u>9,456</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(79,943)</u>	<u>(79,943)</u>	<u>(63,468)</u>	<u>16,475</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>79,000</u>	<u>79,000</u>	<u>60,305</u>	<u>(18,695)</u>
NET CHANGE IN CASH BALANCE	(943)	(943)	(3,163)	(2,220)
<u>CASH BALANCE</u> , Beginning	<u>20,688</u>	<u>20,688</u>	<u>38,263</u>	<u>17,575</u>
<u>CASH BALANCE</u> , Ending	<u>\$ 19,745</u>	<u>\$ 19,745</u>	<u>\$ 35,100</u>	<u>\$ 15,355</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PARK SDC FUND

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
SDC Fee - Parks	\$ 18,000	\$ 18,000	\$ 10,472	\$ (7,528)
Interest	18	18	1,421	1,403
Total	<u>18,018</u>	<u>18,018</u>	<u>11,893</u>	<u>(6,125)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>61,512</u>	<u>61,512</u>	<u>650</u>	<u>60,862</u>
NET CHANGE IN CASH BALANCE	(43,494)	(43,494)	11,243	54,737
<u>CASH BALANCE, Beginning</u>	<u>43,494</u>	<u>43,494</u>	<u>62,204</u>	<u>18,710</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,447</u>	<u>\$ 73,447</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

TRANSPORTATION SYSTEM DEVELOPMENT CHARGE RESERVE FUND - #12

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
SDC - Transportation	\$ 72,000	\$ 72,000	\$ 32,740	\$ (39,260)
Interest	1,500	1,500	5,230	3,730
Total	<u>73,500</u>	<u>73,500</u>	<u>37,970</u>	<u>(35,530)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>271,775</u>	<u>271,775</u>	<u>650</u>	<u>271,125</u>
NET CHANGE IN CASH BALANCE	(198,275)	(198,275)	37,320	235,595
<u>CASH BALANCE, Beginning</u>	<u>198,275</u>	<u>198,275</u>	<u>231,844</u>	<u>33,569</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,164</u>	<u>\$ 269,164</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GOVERNMENTAL CAPITAL PROJECT RESERVE FUND #13

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Franchise Fees	\$ 22,000	\$ 22,000	\$ 23,721	\$ 1,721
Interest	2,500	2,500	4,270	1,770
Total	<u>24,500</u>	<u>24,500</u>	<u>27,991</u>	<u>3,491</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>221,454</u>	<u>221,454</u>	<u>-</u>	<u>221,454</u>
NET CHANGE IN CASH BALANCE	<u>(196,954)</u>	<u>(196,954)</u>	<u>27,991</u>	<u>224,945</u>
<u>CASH BALANCE, Beginning</u>	<u>196,954</u>	<u>196,954</u>	<u>197,384</u>	<u>430</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,375</u>	<u>\$ 225,375</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER FUND

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Charge for Services (Water Sales, etc.)	\$ 700,050	\$ 698,550	\$ 760,551	\$ 62,001
Grants	134,000	134,000	-	(134,000)
Interest	-	1,000	4,427	3,427
Misc.	-	500	323	(177)
Total	834,050	834,050	765,301	(68,749)
 <u>CASH EXPENDITURES</u>				
Personnel Services	266,615	288,615	286,820	1,795
Material and Services	306,297	291,297	252,186	39,111
Debt Service	210,559	203,559	185,825	17,734
Operating Contingencies	122	122	-	122
Total	783,593	783,593	724,831	58,762
RECEIPTS OVER (UNDER) EXPENDITURES	50,457	50,457	40,470	(9,987)
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Water Depreciation Reserve Fund	(15,000)	(15,000)	(15,000)	-
Transfer to Water Bonded Debt Fund	(21,000)	(21,000)	(21,000)	-
Transfer to Water Utility Eq. Reserve Fund #16	(1,000)	(1,000)	(1,000)	-
Loan Funds Received	-	-	81,446	81,446
Total	(37,000)	(37,000)	44,446	81,446
NET CHANGE IN CASH BALANCE	13,457	13,457	84,916	71,459
<u>CASH BALANCE, Beginning</u>	80,653	80,653	155,820	75,167
<u>CASH BALANCE, Ending</u>	\$ 94,110	\$ 94,110	\$ 240,736	\$ 146,626

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER BONDED DEBT FUND

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest Earned	\$ 250	\$ 250	\$ 1,063	\$ 813
<u>CASH EXPENDITURES</u>				
Materials & Services	635	635	500	135
Debt Service	20,820	20,820	20,820	-
Operating Contingency	1,988	1,988	-	1,988
Total	<u>23,443</u>	<u>23,443</u>	<u>21,320</u>	<u>2,123</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(23,193)</u>	<u>(23,193)</u>	<u>(20,257)</u>	<u>2,936</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	(2,193)	(2,193)	743	2,936
<u>CASH BALANCE, Beginning</u>	<u>45,913</u>	<u>45,913</u>	<u>45,944</u>	<u>31</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 43,720</u>	<u>\$ 43,720</u>	<u>\$ 46,687</u>	<u>\$ 2,967</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER SDC FUND - #8

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
System Development - Water	\$ 28,252	\$ 28,252	\$ 18,474	\$ (9,778)
Interest	500	500	2,709	2,209
Total	<u>28,752</u>	<u>28,752</u>	<u>21,182</u>	<u>(7,570)</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>115,270</u>	<u>115,270</u>	<u>650</u>	<u>114,620</u>
NET CHANGE IN CASH BALANCE	(86,518)	(86,518)	20,532	107,050
<u>CASH BALANCE, Beginning</u>	<u>86,518</u>	<u>86,518</u>	<u>120,072</u>	<u>33,554</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,605</u>	<u>\$ 140,605</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER UTILITY DEPRECIATION FUND - #9

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	\$ 650	\$ 650	\$ 1,353	\$ 703
 <u>CASH EXPENDITURES</u>				
Materials & Services	350	350	350	-
Capital Outlay	73,000	73,000	51,645	21,355
Operating Contingency	2,107	2,107	-	2,107
Total	<u>75,457</u>	<u>75,457</u>	<u>51,995</u>	<u>23,462</u>
 RECEIPTS OVER (UNDER) EXPENDITURES	<u>(74,807)</u>	<u>(74,807)</u>	<u>(50,642)</u>	<u>24,165</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
 NET CHANGE IN CASH BALANCE	(59,807)	(59,807)	(35,642)	24,165
 <u>CASH BALANCE, Beginning</u>	<u>59,807</u>	<u>59,807</u>	<u>79,216</u>	<u>19,409</u>
 <u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,574</u>	<u>\$ 43,574</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER UTILITY RESERVE FUND #16

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	\$ 50	\$ 50	\$ 119	\$ 69
<u>CASH EXPENDITURES</u>				
Capital Outlay	5,749	5,749	-	5,749
RECEIPTS OVER (UNDER) EXPENDITURES	(5,699)	(5,699)	119	5,818
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	1,000	1,000	1,000	-
NET CHANGE IN CASH BALANCE	(4,699)	(4,699)	1,119	5,818
<u>CASH BALANCE, Beginning</u>	4,699	4,699	4,724	25
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,843</u>	<u>\$ 5,843</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER UTILITY PROJECTS FUND #17

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	\$ -	\$ -	\$ -	\$ -
 <u>CASH EXPENDITURES</u>				
Capital Outlay	3,830,000	3,330,000	311,589	3,018,411
Operating Contingency	-	-	-	-
Total	<u>3,830,000</u>	<u>3,330,000</u>	<u>311,589</u>	<u>3,018,411</u>
 RECEIPTS OVER (UNDER) EXPENDITURES	<u>(3,830,000)</u>	<u>(3,330,000)</u>	<u>(311,589)</u>	<u>3,018,411</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Loan Funds Received	3,830,000	3,830,000	311,589	(3,518,411)
Transfer to Capital Project Fund #14	-	(500,000)	-	500,000
Total	<u>3,830,000</u>	<u>3,330,000</u>	<u>311,589</u>	<u>(3,018,411)</u>
 NET CHANGE IN CASH BALANCE	-	-	-	-
 <u>CASH BALANCE, Beginning</u>	-	-	-	-
 <u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

URBAN RENEWAL AGENCY

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Property Taxes	25,000	25,000	50,639	25,639
Interest	100	100	1,232	1,132
Total	<u>25,100</u>	<u>25,100</u>	<u>51,871</u>	<u>26,771</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	1,100	1,100	635	465
Capital Outlay	52,466	52,466	-	52,466
	<u>53,566</u>	<u>53,566</u>	<u>635</u>	<u>52,931</u>
NET CHANGE IN CASH BALANCE	(28,466)	(28,466)	51,236	79,702
<u>CASH BALANCE, Beginning</u>	<u>28,466</u>	<u>28,466</u>	<u>28,105</u>	<u>(361)</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,341</u>	<u>\$ 79,341</u>

See Notes to Financial Statements

CITY OF BANKS

Washington County, Oregon

WATER AND RELATED FUNDS

COMPARATIVE BALANCE SHEETS*

June 30, 2018, 2019, 2020

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2020</u>
<u>ASSETS</u>			
Cash	\$ 165,038	\$ 359,832	\$ 430,757
Cash Restricted - USDA, Rural Utility Service	45,043	45,944	46,687
Capital Assets	6,071,065	6,610,970	6,944,544
Accumulated Depreciation	<u>(2,300,721)</u>	<u>(2,437,996)</u>	<u>(2,574,690)</u>
<u>Total Assets</u>	<u>\$3,980,425</u>	<u>\$4,578,750</u>	<u>\$ 4,847,298</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Credit Card Balance	\$ 512	\$ -	\$ -
Long Term Debt	<u>1,186,941</u>	<u>1,574,594</u>	<u>1,812,456</u>
<u>Total Liabilities</u>	<u>1,187,453</u>	<u>1,574,594</u>	<u>1,812,456</u>
 <u>FUND EQUITY</u>	 <u>2,792,973</u>	 <u>3,004,156</u> **	 <u>3,034,842</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$3,980,426</u>	<u>\$4,578,750</u>	<u>\$ 4,847,298</u>

* Required by United States Department
of Agriculture - Rural Utilities Service

** After adjustment

CITY OF BANKS

Washington County, Oregon

WATER AND RELATED FUNDS

COMPARATIVE STATEMENTS OF RECEIPTS, EXPENSES, AND CHANGES IN FUND EQUITY*

For the Fiscal Years Ended June 30, 2018, 2019, and 2020

	June 30, 2018	June 30, 2019	June 30, 2020
<u>OPERATING RECEIPTS</u>			
Charge for Services	\$ 651,671	\$ 821,126	\$ 779,024
Miscellaneous	71,921	19,230	9,994
Total	<u>723,592</u>	<u>840,356</u>	<u>789,018</u>
<u>OPERATING EXPENSES</u>			
Personal Services	197,575	249,769	286,820
Debt - Interest	57,086	51,607	51,472
Materials and Services	309,802	190,522	283,346
Depreciation Expense	136,146	137,275	136,694
Total	<u>700,609</u>	<u>629,173</u>	<u>758,331</u>
<u>NET OPERATING INCOME (LOSS)</u>	<u>22,983</u>	<u>211,183</u>	<u>30,687</u>
<u>FUND EQUITY, Beginning</u>	<u>2,769,989</u>	<u>2,792,972</u>	<u>3,004,155</u>
<u>FUND EQUITY, Ending</u>	<u>\$2,792,972</u>	<u>\$3,004,155</u>	<u>\$ 3,034,842</u>

* Required by United States Department
of Agriculture - Rural Utilities service

AUDITOR'S COMMENTS AND
DISCLOSURES REQUIRED BY STATE REGULATIONS

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Certified Public Accountant
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AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

To the Mayor and City Council
City of Banks
Banks, Oregon

I have audited the basic financial statements of the City of Banks, Oregon (the City) as of and for the year ended June 30, 2020, and have issued my report thereon dated November 23, 2020. I conducted the audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion.

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

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

Indebtedness limitations, restrictions, and repayment.

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Programs funded by outside sources.

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294).

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

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

OAR 162-10-230 (Internal Control)

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City'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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiencies in the City's internal control to be significant deficiencies:

Financial Reporting

The City does not have the capability to prepare or determine if the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles. Limited staffing prevents the City from complying with this recommendation. Since controls at that level are not available within the City, the cost benefit of having the auditor prepare the financial statements, including related footnote disclosures, far outweigh the cost of hiring additional staff or hiring an independent outside source to do the same job. The City believes the outsourcing of the financial statement preparation service to the auditor is not unusual for smaller governments.

Inadequate Segregation of Accounting Duties

The City does not have sufficient staff to adequately segregate accounting duties. The City has adopted financial controls that are relevant to smaller governmental units. The City believes there is a substantial cost benefit by not increasing staffing levels at this time. However, the City acknowledges the need for extra vigilance on the part of upper management and the Council.

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



Dennis R. Conner, CPA
November 23, 2020