

NOTICE OF CITY COUNCIL MEETING

The City Council of the City of King City will hold a Special City Council Meeting at 10:00 a.m., Wednesday-March 6th, 2019 at the **Crown Center, 16880 SW 126th Ave, King City, Oregon 97224**

| AGENDA | | Action Item |
|--|---|-------------|
| ***SPECIAL SESSION*** | | |
| <i>Moment of Silence</i> | | |
| 10:00 a.m. | 1. CALL TO ORDER | Time: |
| | 2. ROLL CALL | M S A |
| | 3. PLEDGE OF ALLEGIANCE | |
| | 4. APPROVAL OF MINUTES: At the Regular Meeting March 20, 2019 | |
| 10:15 a.m. | 5. OPEN FORUM: We welcome public comment. At this time, the Council will be happy to receive your comment pertaining to items on the agenda (including, questions, suggestions, complaints and items for future agendas). Each person's time will be limited to three minutes. | |
| 10:20 a.m. | 6. UNFINISHED BUSINESS: | |
| 10:20 a.m. | 7. NEW BUSINESS: | Discussion |
| | 7.1 Financial Reports for Year-end June 30, 2018 | M S A |
| | 7.2 Special Public Works Fund, Interim Financing Loan – City Hall Remodel | M S A |
| | 7.3 Furniture Contract – City Hall Remodel | Discussion |
| | 7.4 Land Purchase – URA 6D Area | |
| 10:50 a.m. | 8. POLICE CHIEF'S REPORT | |
| 11:00 a.m. | 9. CITY MANAGER'S REPORT | |
| 11:10 a.m. | 10. MAYOR'S AND COUNCILOR'S REPORTS | |
| 11:40 a.m. | 11. ADJOURN | M S A |
| NEXT COUNCIL MEETING MARCH 20, 2019 AT 7:00 PM (REGULAR) | | |
| The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired, or for other accommodations for persons with disabilities, should be made at least 48 hours in advance of the meeting to Ronnie Smith, City Recorder, 503-639-4082. M=Motion; S=Second; A=Action/Vote | | Time: |

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

**COMMUNICATION TO THE GOVERNING BODY
FOR THE YEAR ENDED JUNE 30, 2018**



12700 SW 72nd Ave.
Tigard, OR 97223



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November 26, 2018

To the City Council
The City of King City
Washington County, Oregon

We have audited the basic financial statements of the governmental activities, and each major fund of the City of King City (the City) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Purpose of the Audit

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the basic financial statements and compliance with:

- generally accepted accounting principles and auditing standards
- the Oregon Municipal Audit Law and the related administrative rules

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the basic financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We also communicated any internal control related matters that are required to be communicated under professional standards.

Results of Audit

1. Audit opinion letter – a modified opinion on the basic financial statements has been issued due to the City not maintaining complete capital asset records. This means we have given an opinion with certain specified reservations.
2. State minimum standards – We found no exceptions or issues requiring comment.
3. Management letter – We issued a separate management letter dated November 26, 2018 detailing a material weakness in internal control.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018, except for the implementation of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the basic financial statements were Management's estimates of receivables, net pension liability and deferrals for PERS, net OPEB liability and deferrals for Health Insurance, and capital asset depreciation, which are based on estimated collectability of receivables, actuarial assumptions, and useful lives of assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the basic financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, taken as a whole. There were immaterial uncorrected misstatements noted during the audit which were discussed with management.

Pauly, Rogers and Co., P.C.

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Required Supplementary Information

We applied certain limited procedures to the required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on it except for the fund budgetary statements.

Supplementary Information

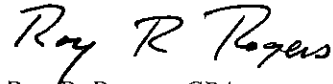
We were engaged to report on the supplementary information, which accompany the basic financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Other Information

With respect to the council list containing their term expiration dates, located before the table of contents, it has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

Pauly, Rogers and Co., P.C.

This information is intended solely for the information and use of the Council and management and is not intended to be and should not be used by anyone other than these specified parties.

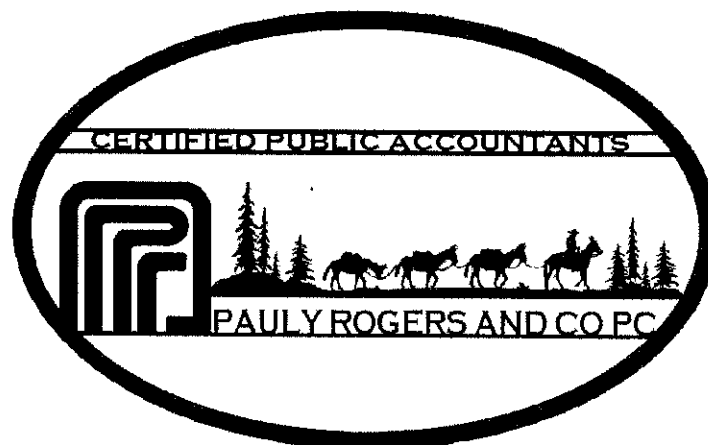
A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive, flowing style.

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2018



12700 SW 72nd Ave.
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November 26, 2018

To the City Council
City of King City
Washington County, Oregon

In planning and performing our audit of the basic financial statements of the governmental activities and each major fund of City of King City (the City) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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 basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

1. The City does not maintain historical cost and depreciation records for streets and street improvements acquired prior to June 30, 2013. We were unable to apply alternative procedures to satisfy ourselves regarding the historical cost and depreciation of streets and street improvements. We recommend the City implement procedures to assist in documenting and tracking acquisition and depreciation of the City's infrastructure assets for those assets acquired before June 30, 2013.

Best Practices - No Significant Deficiencies

1. Governing Body Monitoring

An integral part of internal controls is the monitoring of financial activities by those charged with the governance (the Council). This can be accomplished by asking specifically designed questions to senior staff, by reviewing financial statements and projections and by comparing financial results to pre-established benchmarks. While the Council participates in the budget adoption process and receives staff prepared financial statements, these only partially fulfill the monitoring function.

We recommend that the Council articulate their monitoring practices and record in the minutes when those activities occur.

2. Fidelity Insurance Coverage

In reviewing fidelity (employee honesty) insurance coverage, we noticed that the City often carries cash and investment balances in excess of the insurance coverage amount. We recommend that the Council examine this exposure risk and make a determination as to the amount of insurance coverage they feel is prudent in regard to their oversight.

3. Segregation of Duties

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. We recommend that the Council continually monitor the financial activities to mitigate this risk and consider obtaining additional fidelity insurance coverage to compensate for this risk.

4. QuickBooks Accounting Software

QuickBooks accounting software is used. QuickBooks is not designed to segregate self-balancing funds and may allow users to delete transactions without any audit trail remaining. We recommend that the City evaluate the risk of using this program and consider purchasing an accounting software package specifically designed for governmental accounting.

5. Intellectual Property/Use of City Assets

In the documents provided to us, we saw no indication of a City policy regarding the use of City's assets for personal reasons or the ownership of intellectual property developed by staff either using City assets or during employment hours at the City. We recommend the creation of a City policy, if one is not already in place, to address the potential creation of patents, copyrights, and other claims on intellectual property using City assets or time, as well as use of City assets for personal reasons.

This communication is intended solely for the information and use of management and the Council, and is not intended to be, and should not be, used by anyone other than these specified parties.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



12700 SW 72nd Ave.
Tigard, OR 97223

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

2017-2018
FINANCIAL REPORT

| <u>CITY COUNCIL</u> | <u>TERM EXPIRES</u> |
|-------------------------|---------------------|
| Ken Gibson, Mayor | January 2019 |
| Bob Olmstead, President | January 2019 |
| John Boylston | January 2021 |
| Gretchen Buehner | January 2021 |
| Jaimie Fender | January 2019 |
| Smart Ocholi | January 2021 |
| Billie Reynolds | January 2019 |

All council members receive mail at the address shown below.

ADMINISTRATION

Michael Weston, City Manager
15300 S.W. 116th Avenue
King City, Oregon 97224

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON
TABLE OF CONTENTS

PAGE
NUMBER

| | |
|--|-----------|
| Independent Auditors' Report | <i>i</i> |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Management's Discussion and Analysis | <i>iv</i> |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements: | |
| Balance Sheet—Governmental Funds | 3 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balances—Government Funds | 5 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds - to the Statement of Activities | 6 |
| Notes to Basic Financial Statements | 7 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Schedule of Changes in total OPEB Liability and Related Ratios – (Health Insurance) | 32 |
| Schedule of the Proportionate Share of the Net Pension Liability (PERS) | 33 |
| Schedule of Contributions (PERS) | 33 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance—Actual and Budget | |
| General Fund | 34 |
| Street Fund | 35 |
| SUPPLEMENTARY INFORMATION: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance—Actual and Budget | |
| Transportation Development Tax Fund | 36 |
| Local Option Levy Fund | 37 |
| Parks SDC Fund | 38 |
| Transportation Improvement Fund | 39 |
| Schedule of Property Tax Transactions and Balances of Taxes Uncollected: | |
| General Fund | 40 |
| REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS: | |
| Independent Auditors' Report Required by Oregon State Regulations | 41 |

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November 26, 2018

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the City of King City (the City), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the 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 basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

Basis for Modified Opinion

The City does not maintain historical cost records for streets and street improvements acquired prior to June 30, 2013 or depreciation records for those assets. We were unable to apply alternative procedures to satisfy ourselves regarding the historical cost and depreciation of streets and street improvements.

Modified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Modified Opinion” paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of King City, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis, or the schedules of net pension liability and contributions for PERS, or the Schedule of Changes in total OPEB Liability and Related Ratios for Health Insurance because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

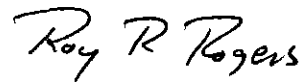
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of City Council members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 26, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Roy R Rogers". The signature is written in a cursive, flowing style.

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C

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CITY OF KING CITY, OREGON MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of King City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position was \$16,738,480 at June 30, 2018.
- During the year, the City's net position Increased by \$704,069.
- The general fund reported a fund balance this year of \$1,500,634.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the City, reporting the operations in more detail than the government-wide statements. The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's assets and liabilities. This is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the Governmental activities. The City's basic services are included here, such as general government, public safety, planning and building, streets, parks, and interest on long-term debt. Property taxes, franchise taxes, permits and fees, and intergovernmental revenues finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following kinds of funds:

- Governmental funds - The City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

CITY OF KING CITY – NET POSITION

| | <u>2018</u> | <u>2017</u> | <u>% Change</u> |
|--|----------------------|----------------------|--------------------|
| ASSETS: | | | |
| Current and other assets | \$ 4,716,628 | \$ 5,135,585 | -8.16% |
| Capital assets (net) | <u>12,724,613</u> | <u>12,052,602</u> | <u>5.58%</u> |
| Total assets | <u>17,441,241</u> | <u>17,188,187</u> | <u>1.47%</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | <u>256,635</u> | <u>357,976</u> | <u>-28.31%</u> |
| LIABILITIES: | | | |
| Current and other liabilities | 141,939 | 691,832 | -79.48% |
| Noncurrent liabilities (net) | <u>798,609</u> | <u>706,706</u> | <u>13.00%</u> |
| Total liabilities | <u>940,548</u> | <u>1,398,538</u> | <u>-32.75%</u> |
| DEFERRED INFLOWS OF RESOURCES: | <u>18,848</u> | <u>20,787</u> | <u>-9.33%</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 12,671,009 | 12,031,319 | 5.32% |
| Restricted | 2,457,078 | 2,231,470 | 10.11% |
| Unrestricted | <u>1,610,393</u> | <u>1,864,049</u> | <u>-13.61%</u> |
| Total net position | <u>\$ 16,738,480</u> | <u>\$ 16,126,838</u> | <u>3.79%</u> |

CITY OF KING CITY – CHANGES IN NET POSITION

| | <u>2018</u> | <u>2017</u> | <u>% Change</u> |
|-------------------------|----------------------|----------------------|-----------------|
| REVENUES: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 974,626 | \$ 1,031,244 | -5.49% |
| Grant and Contributions | 12,000 | 28,837 | -58.39% |
| General Revenues: | | | |
| Property Tax | 963,003 | 831,419 | 15.83% |
| Other | <u>647,882</u> | <u>437,941</u> | <u>47.94%</u> |
| Total Revenues | <u>2,597,511</u> | <u>2,329,441</u> | <u>11.51%</u> |
| EXPENSES: | | | |
| General Government | 1,006,362 | 1,248,685 | -19.41% |
| Street | 59,426 | 163,128 | -63.57% |
| Police | <u>827,654</u> | <u>1,233,049</u> | <u>-32.88%</u> |
| Total Expenses | <u>1,893,442</u> | <u>2,644,862</u> | <u>-28.41%</u> |
| Change in Net Position | 704,069 | (315,421) | 323.22% |
| Beginning Net Position | <u>16,034,411</u> ** | <u>16,442,259</u> | <u>-2.48%</u> |
| Ending Net Position | <u>\$ 16,738,480</u> | <u>\$ 16,126,838</u> | <u>3.79%</u> |

The City's total revenues were \$2,597,511. The Net Position increased by \$704,069 indicating an increase in the City's financial position.

**FY 17-18 Beginning Net Position reduced by \$92,427 due to the GASB 75 valuation results as of 6/30/2017.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2,615,049 in 2017-18. Governmental fund balances totaled \$4,554,366 at June 30, 2018. A summary of changes in governmental fund balances follows:

| | <u>June 30,</u> <u>2018</u> | <u>June 30,</u> <u>2017</u> | <u>Change</u> |
|---------------------------------|--------------------------------|--------------------------------|------------------|
| General Fund | \$1,500,634 | \$1,340,587 | \$160,047 |
| Street Fund | 129,501 | 376,117 | (246,616) |
| Transportation Development Fund | 2,457,078 | 2,231,470 | 225,608 |
| Local Option Levy Fund | 21,189 | 21,189 | - |
| Parks SDC Fund | 445,964 | 436,162 | 9,802 |
| Transportation Improvement Fund | <u>-</u> | <u>367</u> | <u>(367)</u> |
| Total | <u>\$4,554,366</u> | <u>\$4,405,892</u> | <u>\$148,474</u> |

BUDGETARY HIGHLIGHTS

During the year, actual revenues were more than budgetary estimates and actual expenditures were less than budgetary appropriations.

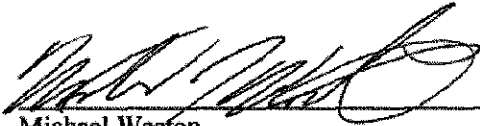
Total net change for all governmental fund types during the year was a increase of \$148,474

CAPITAL ASSETS

At June 30, 2018, the City had \$12,724,613 invested in capital assets. More detailed information about the City's capital assets is presented in the notes to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the City of King City. Our address is: 15300 SW 116th Avenue, King City, Oregon 97224-2693.

A handwritten signature in black ink, appearing to read 'Michael Weston', is written over a horizontal line.

Michael Weston
City Manager

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2018

ASSETS:

| | |
|---------------------------------------|----------------|
| Cash and Investments | \$ 4,413,470 |
| Property Taxes Receivable | 40,656 |
| Accounts Receivable | 236,807 |
| Prepaid Expenses | 25,695 |
| Capital Assets, not being depreciated | 12,524,018 |
| Capital Assets, net of depreciation | <u>200,595</u> |

| | |
|--------------|------------|
| Total Assets | 17,441,241 |
|--------------|------------|

DEFERRED OUTFLOWS OF RESOURCES:

| | |
|----------------------------------|----------------|
| Pension Related Deferrals - PERS | <u>256,635</u> |
|----------------------------------|----------------|

| | |
|--|-------------------|
| Total Assets and Pension Related Deferrals | <u>17,697,876</u> |
|--|-------------------|

Current Liabilities

| | |
|--------------------------------|---------|
| Accounts Payable | 136,141 |
| Payroll Liabilities | 248 |
| Unearned Revenue | 5,550 |
| Long-Term Debt Due in One Year | 26,802 |

Long-Term Liabilities

| | |
|---------------------------------------|---------------|
| Long-Term Debt Due After One Year | 26,802 |
| Net Pension Liability - PERS | 629,604 |
| Net OPEB Liability - Health Insurance | 85,089 |
| Vested Compensated Absences | <u>30,312</u> |

| | |
|-------------------|---------|
| Total Liabilities | 940,548 |
|-------------------|---------|

DEFERRED INFLOWS OF RESOURCES:

| | |
|---|--------------|
| Pension Related Deferrals - PERS | 15,311 |
| OPEB Related Deferrals - Health Insurance | <u>3,537</u> |

| | |
|---|----------------|
| Total Liabilities and Pension Related Deferrals | <u>959,396</u> |
|---|----------------|

NET POSITION:

| | |
|---|------------------|
| Net Investment in Capital Assets | 12,671,009 |
| Restricted - Transportation Development Tax | 2,457,078 |
| Unrestricted | <u>1,610,393</u> |

| | |
|--------------------|-----------------------------|
| Total Net Position | <u><u>\$ 16,738,480</u></u> |
|--------------------|-----------------------------|

See accompanying notes to basic financial statements

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| FUNCTIONS | EXPENSES | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|-------------------------------|---------------------|-------------------------|---|--|
| | | CHARGES FOR SERVICES | OPERATING GRANT AND CONTRIBUTIONS | |
| General Government | \$ 1,006,362 | \$ 652,452 | \$ 12,000 | \$ (341,910) |
| Street | 59,426 | 262,004 | - | 202,578 |
| Police | 827,654 | 60,170 | - | (767,484) |
| Total Governmental Activities | <u>\$ 1,893,442</u> | <u>\$ 974,626</u> | <u>\$ 12,000</u> | <u>(906,816)</u> |

General Revenues:

Taxes:

| | |
|---|--------------|
| Property Taxes, Levied for General Purposes | 963,003 |
| Other Local Revenues | 566,927 |
| Interest and Investment Earnings | 79,790 |
| Miscellaneous | <u>1,165</u> |

| | |
|------------------------|------------------|
| Total General Revenues | <u>1,610,885</u> |
|------------------------|------------------|

| | |
|-------------------------|---------|
| Changes in Net Position | 704,069 |
|-------------------------|---------|

| | |
|------------------------------------|-------------------|
| Net Position – Beginning, Restated | <u>16,034,411</u> |
|------------------------------------|-------------------|

| | |
|-----------------------|----------------------|
| Net Position – Ending | <u>\$ 16,738,480</u> |
|-----------------------|----------------------|

See accompanying notes to basic financial statements

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

| | GENERAL FUND | STREET FUND | TRANSPORTATION DEVELOPMENT TAX FUND | LOCAL OPTION LEVY FUND | PARKS SDC FUND | TRANSPORTATION IMPROVEMENT FUND | TOTAL |
|---|---------------------|-------------------|---|------------------------------|----------------------|---------------------------------------|---------------------|
| ASSETS: | | | | | | | |
| Cash and Investments | \$ 4,413,470 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,413,470 |
| Taxes Receivable | 40,656 | - | - | - | - | - | 40,656 |
| Accounts Receivable | 236,807 | - | - | - | - | - | 236,807 |
| Prepaid Expenses | 25,695 | - | - | - | - | - | 25,695 |
| Due From Other Funds | - | 134,623 | 2,457,078 | 21,189 | 445,964 | - | 3,058,854 |
| Total Assets | \$ 4,716,628 | \$ 134,623 | \$ 2,457,078 | \$ 21,189 | \$ 445,964 | \$ - | \$ 7,775,482 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE: | | | | | | | |
| LIABILITIES: | | | | | | | |
| Due to Other Funds | \$ 3,058,854 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,058,854 |
| Payroll Payable | 248 | - | - | - | - | - | 248 |
| Accounts Payable | 131,019 | 5,122 | - | - | - | - | 136,141 |
| Total Liabilities | 3,190,121 | 5,122 | - | - | - | - | 3,195,243 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | |
| Unearned Revenue - Taxes | 20,323 | - | - | - | - | - | 20,323 |
| Unearned Revenue - Other | 5,550 | - | - | - | - | - | 5,550 |
| Total Deferred Inflows of Resources | 25,873 | - | - | - | - | - | 25,873 |
| FUND BALANCE: | | | | | | | |
| Fund Balances: | | | | | | | |
| Nonspendable | 25,695 | - | - | - | - | - | 25,695 |
| Restricted | - | - | 2,457,078 | - | - | - | 2,457,078 |
| Committed | - | 129,501 | - | 21,189 | 445,964 | - | 596,654 |
| Unassigned | 1,474,939 | - | - | - | - | - | 1,474,939 |
| Total Fund Balances | 1,500,634 | 129,501 | 2,457,078 | 21,189 | 445,964 | - | 4,554,366 |
| Total Liabilities, Deferred Inflows and Fund Balance | \$ 4,716,628 | \$ 134,623 | \$ 2,457,078 | \$ 21,189 | \$ 445,964 | \$ - | \$ 7,775,482 |

See accompanying notes to basic financial statements

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2018

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$ 4,554,366 |
| Capital assets are not financial resources and therefore are not reported in the governmental funds. | 12,724,613 |
| The Net PERS Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries. | (629,604) |
| Net OPEB Liability (Health Insurance) | (85,089) |
| All liabilities are reported in the Statement of Net Position whereas in governmental funds, liabilities not due and payable in the current period are not reported. | |
| Capital Leases Payable | (53,604) |
| Vested compensated absences are not accounted for in the governmental funds. | (30,312) |
| A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds. | 20,323 |
| Deferred Inflows and Outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings, and contributions subsequent to the measurement date. | |
| Deferred Outflows (PERS) | 256,635 |
| Deferred Inflows (PERS) | (15,311) |
| Deferred Inflows (OPEB - Health Insurance) | <u>(3,537)</u> |
| Net Position | <u>\$ 16,738,480</u> |

See accompanying notes to basic financial statements

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

| | GENERAL FUND | STREET FUND | TRANSPORTATION DEVELOPMENT TAX FUND | LOCAL OPTION LEVY FUND | PARKS SDC FUND | TRANSPORTATION IMPROVEMENT FUND | TOTAL |
|---|-----------------|----------------|---|------------------------------|----------------------|---------------------------------------|--------------|
| REVENUES: | | | | | | | |
| Property Taxes | \$ 717,614 | \$ - | \$ - | \$ 262,927 | \$ - | \$ - | \$ 980,541 |
| City Franchise Fees | 230,857 | - | - | - | - | - | 230,857 |
| Alcoholic Beverage Tax | 51,567 | - | - | - | - | - | 51,567 |
| Cigarette Tax | 4,411 | - | - | - | - | - | 4,411 |
| Marijuana Tax | 141,839 | - | - | - | - | - | 141,839 |
| Motel Tax | 51,653 | - | - | - | - | - | 51,653 |
| State Gas Tax | - | 231,538 | - | - | - | - | 231,538 |
| Washington Co. Gas Tax | - | 13,175 | - | - | - | - | 13,175 |
| City Privilege Tax | - | 35,533 | - | - | - | - | 35,533 |
| State Revenue Sharing | 37,211 | - | - | - | - | - | 37,211 |
| Grants | 12,000 | - | - | - | - | - | 12,000 |
| Court Fines | 60,170 | - | - | - | - | - | 60,170 |
| Metro Excise Tax | 6,513 | - | - | - | - | - | 6,513 |
| Licenses/Permits/Fees | 114,708 | - | - | - | - | - | 114,708 |
| School CET | 69,297 | - | - | - | - | - | 69,297 |
| OR State Surcharge | 8,745 | - | - | - | - | - | 8,745 |
| Passport Fees | 80,330 | - | - | - | - | - | 80,330 |
| Traffic Development Tax | - | - | 209,436 | - | - | - | 209,436 |
| Interest on Investments | 27,064 | 4,048 | 40,486 | 674 | 7,518 | - | 79,790 |
| Developmental charges | - | - | - | - | 73,892 | - | 73,892 |
| Water Revenue | 68,110 | - | - | - | - | - | 68,110 |
| CWS/Surface Water Mgmt Fees | - | 52,568 | - | - | - | - | 52,568 |
| Miscellaneous | 1,165 | - | - | - | - | - | 1,165 |
| Total Revenues | 1,683,254 | 336,862 | 249,922 | 263,601 | 81,410 | - | 2,615,049 |
| EXPENDITURES: | | | | | | | |
| Personal Services | 1,160,441 | - | - | - | - | - | 1,160,441 |
| Materials & Services | 711,868 | 91,748 | - | - | - | - | 803,616 |
| Capital Outlay | 42,065 | 422,686 | 681 | - | 37,086 | - | 502,518 |
| Total Expenditures | 1,914,374 | 514,434 | 681 | - | 37,086 | - | 2,466,575 |
| Excess of Revenues Over, (Under) Expenditures | (231,120) | (177,572) | 249,241 | 263,601 | 44,324 | - | 148,474 |
| Other Financing Sources, (Uses) | | | | | | | |
| Transfers In | 391,167 | - | 367 | - | - | - | 391,534 |
| Transfer Out | - | (69,044) | (24,000) | (263,601) | (34,522) | (367) | (391,534) |
| Total Other Financing Sources, (Uses) | 391,167 | (69,044) | (23,633) | (263,601) | (34,522) | (367) | - |
| Net Change in Fund Balance | 160,047 | (246,616) | 225,608 | - | 9,802 | (367) | 148,474 |
| Beginning Fund Balance | 1,340,587 | 376,117 | 2,231,470 | 21,189 | 436,162 | 367 | 4,405,892 |
| Ending Fund Balance | \$ 1,500,634 | \$ 129,501 | \$ 2,457,078 | \$ 21,189 | \$ 445,964 | \$ - | \$ 4,554,366 |

See accompanying notes to the basic financial statements

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2018

| | |
|--|-------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ 148,474 |
| Payment of vested compensated absences is an expenditure in the governmental funds, but the payment reduces the liability in the Statement of Net Position. Additions to vested compensated absences is an expense for the Statement of Activities but not for the governmental funds. | (3,606) |
| Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the City recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Net Position, there is no deferred revenue and the full property tax receivable is accrued. | (17,538) |
| Principle payment of debt service over the life of the loan reduce the loan amount in governmental funds. However, in the Statement of Activities these are expensed because fixed assets are not recorded on the books. | |
| Principle Debt Service Payments | 48,435 |
| Issue of Capital Lease | (80,756) |
| Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | |
| Capital Asset | 729,561 |
| Depreciation Expense | (57,550) |
| Change in net OPEB liability (Health Insurance) | 3,801 |
| The PERS Pension Expense represents the changes in Net PERS Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits. | <u>(66,752)</u> |
| Change in Net Position | <u>\$ 704,069</u> |

See accompanying notes to basic financial statements

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS NOTES

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**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The City of King City (the City) is a municipal corporation governed by an elected council. Accounting principles generally accepted in the United States of America require that these basic financial statements present the City of King City (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the City's reporting because of the significance of their operational or financial relationships with the City. There are no component units.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statements of Activities display information about the reporting government as a whole.

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

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

All direct expenses are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt, if any, is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities and Changes in Net Position, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

FUND FINANCIAL STATEMENTS

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

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

GOVERNMENTAL FUND TYPES

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension costs, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

FUND EQUITY

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are— nonspendable, restricted, committed, assigned, and unassigned.

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

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

There are no assigned fund balances at year end.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

C. DESCRIPTION OF FUNDS

There are the following major funds:

GENERAL FUND

The General Fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. Its main sources of revenues are property taxes, franchise fees, interest and revenue from the State of Oregon.

STREET FUND

Accounts for revenues and expenditures of the road maintenance program. Principal revenue sources are state highway funds and Washington County gas tax.

TRANSPORTATION DEVELOPMENT TAX FUND

Accounts for revenue received from systems development charges, which are spent on street capacity improvements. The principal revenue source is traffic impact fees.

LOCAL OPTION LEVY FUND

Accounts for revenue received from Local Option Levy. The amount is then transferred to the General Fund.

PARKS SDC FUND

Accounts for revenue received from METRO Grant and Park SDC Fees, which are spent on Park Improvements.

TRANSPORTATION IMPROVEMENT FUND

Accounts for street capacity improvements. This fund is being discontinued as of June 30, 2018.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGET

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except capital outlay is expensed when purchased, depreciation expense is not recorded, compensated absences are expensed when paid, inventory is expensed when purchased, pension costs are not recorded until paid, and property taxes are recorded when received.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels of control for:

| <u>GENERAL FUND</u> | <u>SPECIAL REVENUE FUNDS</u> |
|------------------------------|-------------------------------|
| City Council | Personal Services |
| Administration | Materials and Services |
| Police Department | Capital Outlay |
| General Services | Interagency/Fund Transactions |
| Interagency/Fund Transaction | Operating Contingency |
| Operating Contingency | |

Expenditures cannot legally exceed the above appropriation levels except in the case of restricted revenues which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations.

E. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. ACCOUNTS RECEIVABLE

Accounts receivable consists of fines and fees that are sent to collections at year end and other amounts due that are yet to be received. There is no allowance for doubtful accounts because management believes all fines and fees to be collectible. The amount of accounts receivable over 90 days old is \$146,132.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. PROPERTY TAXES RECEIVABLE

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Position. In the Fund Financial Statements property taxes that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as unearned revenue because it is not deemed available to finance operations of the current period.

An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

H. CAPITAL ASSETS

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction, maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|----------------|
| Buildings and improvements | 30 to 50 years |
| Equipment | 5 to 10 years |

I. RETIREMENT PLAN

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. VESTED COMPENSATED ABSENCES

It is the policy to permit employees to accumulate earned unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the City. All unused vacation pay is accrued when earned in the government-wide basic financial statements.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. ESTIMATES

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

L. INVESTMENTS

Investments are reported at fair value. The investments, authorized under state statutes, are comprised of investments in the state administered Oregon State Treasurer's Local Government Investment Pool.

M. SUPPLY INVENTORY

Detailed supply inventory records are not maintained. Supply inventories are considered to be immaterial by management at year end.

N. INTANGIBLE ASSETS

Intangible assets (such as easements and right of ways) are recorded at their original cost if purchased or estimated value at date of donation if donated. The city has not adopted a policy on capitalization of intangible assets. There were no intangible assets purchased or donated in fiscal year 2017-2018.

O. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid expenses.

P. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

Q. NET POSITION

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

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

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. NET POSITION (CONTINUED)

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

Unrestricted assets – consists of all other assets that are not included in the other categories previously mentioned.

R. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, there were deferred outflows of \$256,635 representing PERS pension related deferrals reported in the Statement of Net Position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2018, the City has two types of items which qualify for reporting in this category. The first of this category is unavailable revenue of \$20,323 reported in the governmental funds balance sheet for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City's Statement of Net Position also shows Deferred Inflows of \$15,311 representing PERS pension related deferrals and \$3,537 representing OPEB related deferrals for Health Insurance.

S. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. FAIR VALUE IMPUTS AND METHODOLOGIES AND HIERARCHY (CONTINUED)

Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

T. GRANTS

Unreimbursed expenditures due from grantor agencies, if any, are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net position. No material grants were received during the year ended June 30, 2018.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2018 was \$54,109, all of which was covered by federal depository insurance.

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2018, none of the bank balances were exposed to custodial credit risk.

INVESTMENTS

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)
If the link has expired please contact the Oregon Short Term Fund directly.

Cash and Investments at June 30, 2018 (recorded at fair value) consisted of:

| | |
|---------------------------------------|---------------------|
| Deposits With Financial Institutions: | 2018 |
| Petty Cash | \$ 150 |
| Demand Deposits: | |
| Checking | 38,819 |
| Investments | <u>4,374,501</u> |
| Total | <u>\$ 4,413,470</u> |

Interest Rate Risk – Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Credit Risk – Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

| Investment Type | Fair Value | Investment Maturities (in months) | | |
|-----------------------------------|---------------------|-----------------------------------|-------------|-------------|
| | | Less than 3 | 3-18 | 19-59 |
| State Treasurer's Investment Pool | \$ 4,374,501 | \$ 4,374,501 | \$ - | \$ - |
| Total | <u>\$ 4,374,501</u> | <u>\$ 4,374,501</u> | <u>\$ -</u> | <u>\$ -</u> |

Concentration of Credit Risk – Investments

At June 30, 2018, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government be invested in bankers' acceptances of any qualified financial institution. At June 30, 2018, there appeared to be compliance with all percentage restrictions.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in Capital assets are as follows:

| | <u>7/1/2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2018</u> |
|--------------------------------------|----------------------|------------------|------------------|----------------------|
| Governmental Activities: | | | | |
| Non-Depreciable Capital Assets | | | | |
| Infrastructure | \$ 11,901,120 | \$ 622,898 | \$ - | \$ 12,524,018 |
| Total Non-Depreciable Capital Assets | 11,901,120 | 622,898 | - | 12,524,018 |
| Depreciable Capital Assets | | | | |
| Buildings & Improvements | 283,656 | - | - | 283,656 |
| Equipment | 251,150 | 106,663 | - | 357,813 |
| Total Depreciable Capital Assets | 534,806 | 106,663 | - | 641,469 |
| Accumulated Depreciation | 383,324 | \$ 57,550 | \$ - | 440,874 |
| Net Depreciable Capital Assets | 151,482 | | | 200,595 |
| Total Capital Assets | <u>\$ 12,052,602</u> | | | <u>\$ 12,724,613</u> |

Depreciation expense for the year was charged as follows:

| | |
|----------------------------|------------------|
| Governmental Activities: | |
| General Government | \$ 24,717 |
| Street | 12,003 |
| Police | <u>20,830</u> |
| Total Depreciation Expense | <u>\$ 57,550</u> |

4. CAPITAL LEASES

There were three lease agreements for police automobiles during 2017-18. The lease terms are as follows:

| | <u>Original Issue</u> | <u>Outstanding July 1, 2017</u> | <u>Issued</u> | <u>Matured and Redeemed</u> | <u>Outstanding June 30, 2018</u> | <u>Due Within One Year</u> |
|------------|---------------------------|-------------------------------------|------------------|---------------------------------|--------------------------------------|--------------------------------|
| 2013 Lease | \$ 66,453 | \$ 14,241 | \$ - | \$ 14,241 | \$ - | \$ - |
| 2014 Lease | 32,861 | 7,042 | - | 7,042 | - | - |
| 2018 Lease | 80,756 | - | 80,756 | 27,152 | 53,604 | 26,802 |
| | | <u>\$ 21,283</u> | <u>\$ 80,756</u> | <u>\$ 48,435</u> | <u>\$ 53,604</u> | <u>\$ 26,802</u> |

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL LEASES (CONTINUED)

Future lease payments are as follows:

| | <u>Principal</u> |
|---------|------------------|
| 2018-19 | \$ 26,802 |
| 2019-20 | <u>26,802</u> |
| Total | <u>\$ 53,604</u> |

5. DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

i) **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, and 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 benefits 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 1 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 2 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.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

- ii) **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 contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii) **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.
- iv) **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

- i) **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
 - Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
 - General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

- ii) **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.
- iii) **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.
- iv) **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

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. The 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, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$68,053 excluding amounts to fund employer specific liabilities. In addition approximately \$21,145 in employee contributions were paid or picked up by the City in fiscal 2018.

PENSION ASSET OR LIABILITY

At June 30, 2018, the City reported a net pension liability of \$629,604 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2017 and 2016, the City's proportion was .0047 and .0044 percent respectively. Pension expense for the year ended June 30, 2018 was \$66,752.

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 22.29%
- (2) OPSRP general services – 11.29%
- (3) OPSRP police and fire – 16.06%

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|----------------------------------|---------------------------------|
| Difference between expected and actual experience | \$ 30,448 | \$ - |
| Changes in assumptions | 114,766 | - |
| Net difference between projected and actual earnings on pension plan investments | 6,486 | - |
| Net changes in proportionate share | 24,381 | (8,997) |
| Differences between City contributions and proportionate share of contributions | 12,501 | (6,314) |
| Subtotal - Amortized Deferrals (below) | 188,582 | (15,311) |
| City contributions subsequent to measurement date | 68,053 | - |
| Deferred outflow (inflow) of resources | <u>\$ 256,635</u> | <u>\$ (15,311)</u> |

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

Subtotal amounts related to pension as deferred outflows of resources, \$188,582, and deferred inflows of resources, (\$15,311), net to \$173,271 and will be recognized in pension expense as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2019 | \$ 34,224 |
| 2020 | 85,437 |
| 2021 | 59,560 |
| 2022 | (8,829) |
| 2023 | 2,879 |
| Thereafter | - |
| Total | <u>\$ 173,271</u> |

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

ACTUARIAL VALUATIONS

The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessarily to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions

| | |
|---------------------------|---|
| Valuation date | December 31, 2015 rolled forward to June 30, 2017 |
| Experience Study Report | 2014, Published September 2015 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset valuation method | Market value of assets |
| Inflation rate | 2.50 percent |
| Investment rate of return | 7.50 percent |
| Projected salary increase | 3.50 percent overall payroll growth |
| Cost of Living Adjustment | Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service. |
| Mortality | Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table. |

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

ACTUARIAL VALUATIONS(CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

Assumed Asset allocation:

| Asset Class/Strategy | Low Range | High Range | OIC Target |
|-----------------------------|------------------|-------------------|-------------------|
| Cash | 0.0% | 3.0% | 0.0% |
| Debt Securities | 15.0% | 25.0% | 20.0% |
| Public Equity | 32.5% | 42.5% | 37.5% |
| Real Estate | 9.5% | 15.5% | 12.5% |
| Private Equity | 14.0% | 21.0% | 17.5% |
| Alternative Equity | 0.0% | 12.5% | 12.5% |
| Opportunity Portfolio | 0.0% | 3.0% | 0.0% |
| Total | | | 100% |

Source: June 30, 2017 PERS CAFR; p. 92

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)

| Asset Class | Target | Compound Annual Return (Geometric) |
|-----------------------------------|---------------|---|
| Core Fixed Income | 8.00% | 4.00% |
| Short-term Bonds | 8.00% | 3.61% |
| Bank/Leveraged Loans | 3.00% | 5.42% |
| High Yield Bonds | 1.00% | 6.20% |
| Large/Mid Cap US Equities | 15.75% | 6.70% |
| Small Cap US Equities | 1.31% | 6.99% |
| Micro Cap US Equities | 1.31% | 7.01% |
| Developed Foreign Equities | 13.13% | 6.73% |
| Emerging Foreign Equities | 4.12% | 7.25% |
| Non-US Small Cap Equities | 1.88% | 7.22% |
| Private Equity | 17.50% | 7.97% |
| Real Estate (Property) | 10.00% | 5.84% |
| Real Estate (REITS) | 2.50% | 6.69% |
| Hedge Fund of Funds - Diversified | 2.50% | 4.64% |
| Hedge Fund - Event-driven | 0.63% | 6.72% |
| Timber | 1.88% | 5.85% |
| Farmland | 1.88% | 6.37% |
| Infrastructure | 3.75% | 7.13% |
| Commodities | 1.88% | 4.58% |
| <i>Assumed Inflation - Mean</i> | | <i>2.50%</i> |

Source: June 30, 2017 PERS CAFR; p.69

Discount Rate:

The discount rate used to measure the total pension liability, as of the measurement dates June 30, 2017 and 2016 was 7.50 and 7.50 percent respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the 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.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 1,072,960 | \$ 629,604 | \$ 258,876 |

Changes Subsequent to the Measurement Date:

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. 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 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.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Contributions:

Employees of the City pay six (6) percent of their covered payroll. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

6. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

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 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS 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 OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA) (CONTINUED)

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the City currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2018 were considered by management to be immaterial to the basic financial statements.

At June 30, 2018, the City's net OPEB liability/(asset) and deferred inflows and outflows were not considered to be material to the basic financial statements by management and were not accrued on the government wide statements.

7. OTHER QUALIFIED PLAN

There is available to permanent employees, other than public safety employees, a 401(k) qualified retirement plan.

The plan is a defined contribution plan, where by council resolution the City contributes an amount equivalent to the combined employer and employee contributions made for employees who participate in PERS. The employee is not required to contribute. The total amount contributed to the plan in the current fiscal year was \$73,211.

Benefits vest 50% after one year and 100% after two years of permanent employment. Under the plan employees may not withdraw funds until reaching age 62. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

8. DEFERRED COMPENSATION

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

9. RISK MANAGEMENT

There is exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. PROPERTY TAX LIMITATIONS

The State of Oregon voters imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school Citys, and education service Citys. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school Citys from the impact of the tax cuts.

11. INTERFUND RECEIVABLES / PAYABLES

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

The composition of due to/from is as follows:

| <u>Fund</u> | <u>Due From other Funds</u> | <u>Due To other Funds</u> |
|-------------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ - | \$ 3,058,854 |
| Street Fund | 134,623 | - |
| Transportation Development Tax Fund | 2,457,078 | - |
| Local Option Levy Fund | 21,189 | - |
| Parks SDC Fund | 445,964 | - |
| Transportation Improvement Fund | - | - |
| | <u>\$ 3,058,854</u> | <u>\$ 3,058,854</u> |

12. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

| <u>Fund</u> | <u>Transfers Out</u> | <u>Transfers In</u> |
|-------------------------------------|----------------------|---------------------|
| General Fund | \$ - | \$ 391,167 |
| Street Fund | 69,044 | - |
| Transportation Development Tax Fund | 24,000 | 367 |
| Local Option Levy Fund | 263,601 | - |
| Parks SDC Fund | 34,522 | - |
| Transportation Improvement Fund | 367 | - |
| | <u>\$ 391,534</u> | <u>\$ 391,534</u> |

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

13. TAX ABATEMENTS

As of June 30, 2018, City of King City potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2018 for any program covered under GASB 77.

14. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City, as a result of collective bargaining agreements, offers post-employment health care benefits under a single-employer, defined benefit plan for all employees who have completed a specified number of years of continuous service, are eligible for full OPERS benefits, and elect early retirement.

For eligible licensed employees the City will provide medical coverage for the lesser of seven years or until eligible for Medicare (age 65). For administrators, managers, supervisor and confidential employees, coverage is until Medicare eligibility date regardless of retirement age, assuming full OPERS coverage. For eligible classified employees with 15 years of service, coverage is provided up to the lesser of five years or until eligible for Medicare (age 65).

The City's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. The plan is currently unfunded in accordance with GASB statement 75. In accordance with the terms of the plan, benefit payments are recognized when due and payable in the governmental statements. The activities of the plan are reported in the General Fund.

The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the fiscal year ended June 30, 2018. This implementation allows the City to report its liability for other post-employment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements. The City maintains single employer post-employment benefit programs (commonly referred to as early retirement). These programs cover licensed and administrative personnel of the City, individual employees, and certain retired employees.

In implementing GASB Statement No. 75, the following changes since the prior valuation were implemented; (a) the actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, (b) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (c) premium increase rates were modified to reflect anticipated experience, (d) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (e) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (d) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the City's participation in the health plans was determined to be a community rated arrangement.

Annual OPEB Cost and Total OPEB Liability – The annual other postemployment benefit (OPEB) cost is calculated based on the Total OPEB Liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. For detailed information and a table showing the components of the City's annual OPEB costs and liabilities, see page 32.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

14. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions – The Total OPEB Liability for the current year was determined as part of the July 1, 2016 actuarial valuation using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of present and future assets of 3.58% compounded annually; (b) no future increase in benefit payable from this program; (c) a general inflation rate of 2.5% per year, and (d) no post-retirement benefit increases and a payroll increase of 3%. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year. The present value of benefits accrued as of the valuation date is called the accrued liability.

Funding Status and Funding Progress – As of July 30, 2018, the plan was 0% funded. The actuarial accrued liability for benefits was \$85,089, and the actuarial value of assets was \$0. There is no estimated covered payroll.

As of the July 1, 2016 valuation date, the following employees were covered by the benefit terms:

| Participant Counts | Total |
|--------------------------------|--------------|
| Number of Active Participants | 8 |
| Number of Retired Participants | 1 |
| Total Number of Participants | <u>9</u> |

Total OPEB Liability

The City's total OPEB liability of \$85,089 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs

The City's total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

14. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions

| | |
|--|--|
| Valuation Date | July 1, 2016 rolled forward to June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Investment return assumption (interest discount) | The 3.58% investment return assumption is the December 29, 2016 rate in the 20-Year General Obligation Municipal Bond Index published by Bond Buyer. |
| Plan Participation | 100% assumed will elect coverage at retirement if eligible for District paid insurance; 40% assumed if only eligible for self-pay insurance. |
| Moda medical premium annual trend rate | 8.0% increase in October 2017 with later increases reducing annually by 0.5% to 5% and stable thereafter |
| Kaiser medical premium annual trend rate | 5% increase in all future years |
| Dental premiums annual trend rate | 2% in October 2017 with later increases rising annually by 0.5% to 3% and stable thereafter. |
| Inflation rate | 2.5% for all future years |
| Annual salary rate increases | 3.5% for all future years |
| Health care premium | |
| Beginning in 2018, a 40% excise tax will be imposed under the Affordable Care Act on employers if the aggregate value of medical coverage exceeds a threshold limit. This excise tax is not included in the calculations because it is believed to be immaterial in regard to the OPEB plan. | |

Changes in Total OPEB Liability

| | |
|--|------------------|
| Total OPEB Liability at June 30, 2017 | \$ 92,427 |
| Changes for the year: | |
| Service Cost | 6,437 |
| Interest on total OPEB liability | 2,641 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions or other input | (3,930) |
| Benefit payments | (12,486) |
| Net changes in OPEB Liability | (7,338) |
| Total OPEB Liability at June 30, 2018 | <u>\$ 85,089</u> |

Changes of assumptions: Interest Discount, the investment return assumption was increased from 2.85% to 3.58%. Persistence, the drop rate for retirees self-paying for coverage was increased from 5% to 10% based on City experience from 2010 to 2016.

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

14. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB Liability to changes in discount rate – the following presents the total OPEB liability of the City, as well as what the City's total OPEB Liability would be if it were calculated using a discount rate one percentage point higher and lower than the current rate.

| | 1% Lower (2.58%) | Current Discount Rate (3.58%) | 1% Higher (4.58%) |
|----------------------|---------------------|-------------------------------------|----------------------|
| Total OPEB Liability | \$ 90,133 | \$ 85,089 | \$ 80,448 |

Sensitivity of the total OPEB Liability to changes in the healthcare cost trend rates – the following presents the total OPEB liability of the City, as well as what the City's total OPEB Liability would be if it were calculated using health care cost trend rates that are one percentage point higher and lower than the current healthcare cost trend rates.

| | 1% Lower | Current Healthcare Trend Rates | 1% Higher |
|----------------------|-----------|--------------------------------------|-----------|
| Total OPEB Liability | \$ 78,560 | \$ 85,089 | \$ 92,857 |

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB income of \$3,801 in the government wide Statement of Activities. At June 30, 2018, the City reported deferred inflows of resources relating to the following sources:

| | Deferred Inflows of Resources |
|---|----------------------------------|
| Difference between expected and actual experience | \$ - |
| Changes of assumptions or other inputs | (3,537) |
| Total | <u>\$ (3,537)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

| Fiscal Year Ending June 30, | Deferred Outflow (Inflow) Recognized in Pension Expense |
|--------------------------------|--|
| 2019 | \$ (393) |
| 2020 | (393) |
| 2021 | (393) |
| 2022 | (393) |
| 2023 | (393) |
| Thereafter | (1,572) |
| Total | <u>\$ (3,537)</u> |

15. RESTATEMENT OF PRIOR YEAR NET POSITION

Due to the implementation of GASB Statement No. 75, a restatement of prior year net position was required. The restatement is as follows:

| | |
|--|----------------------|
| Net Position - Beginning as previously reported | \$ 16,126,838 |
| Change in OPEB Liability at prior measurement date | (92,427) |
| Net Position - Beginning as restated | <u>\$ 16,034,411</u> |

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**CITY OF KING CITY
WASHINGTON COUNTY, OREGON
REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

SCHEDULE CHANGES IN TOTAL LIABILITY AND RELATED RATIOS
EARLY RETIREMENT PROGRAM AND OPEB PLAN
June 30, 2018

PLAN (OPEB): (Health Insurance)

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

| Year Ended June 30, | Total OPEB Liability - Beginning | Service Cost | Interest | Changes of Benefit Terms | Changes of Assumptions | Differences Between Expected and Actual | Benefit Payments | Total OPEB Liability - End of Year | Estimated Covered Payroll | Total OPEB Liability as a % of Covered Payroll |
|---------------------------|--|-----------------|----------|--------------------------------|---------------------------|--|---------------------|--|---------------------------------|---|
| 2018 | \$ 92,427 | \$ 6,437 | \$ 2,641 | \$ - | \$ (3,930) | \$ - | \$ (12,486) | \$ 85,089 | N/A | N/A |

The above tables present the most recent actuarial valuations for the City's post-retirement benefit.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

In implementing GASB Statement No. 75, the following changes since the prior valuation were implemented; (i) the actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, (ii) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (iii) premium increase rates were modified to reflect anticipated experience, (iv) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (v) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (vi) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the City's participating in the health plans determined to be a community rated arrangement.

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CITY OF KING CITY
WASHINGTON COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2018

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Year Ended June 30, | (a) Employer's proportion of the net pension liability (NPL) | (b) Employer's proportionate share of the net pension liability (NPL) | (c) Employer's covered payroll | (b/c) NPL as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|---|--|--|
| 2018 | 0.0046 % | \$ 629,604 | \$ 357,392 | 176.2 % | 83.1 % |
| 2017 | 0.0044 | 658,717 | 352,707 | 186.8 | 80.5 |
| 2016 | 0.0046 | 264,428 | 350,407 | 75.5 | 91.9 |
| 2015 | 0.0044 | (91,744) | 300,611 | (30.5) | 103.6 |
| 2014 | 0.0044 | 206,546 | 273,970 | 75.4 | 92.0 |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered payroll | Contributions as a percent of covered payroll |
|------|---|---|--|----------------------------------|--|
| 2018 | \$ 68,053 | \$ 68,053 | \$ - | \$ 352,409 | 19.3 % |
| 2017 | 53,336 | 53,336 | - | 357,392 | 14.9 |
| 2016 | 50,548 | 50,548 | - | 352,707 | 14.3 |
| 2015 | 45,565 | 45,565 | - | 350,407 | 13.0 |
| 2014 | 36,360 | 36,360 | - | 300,611 | 12.1 |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

| <u>GENERAL FUND</u> | | | | |
|-----------------------------|----------------------------|-------------------------|---------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
| REVENUES: | | | | |
| Property Taxes - Current | \$ 735,000 | \$ 735,000 | \$ 710,516 | \$ (24,484) |
| Property Taxes - Delinquent | 10,000 | 10,000 | 7,098 | (2,902) |
| City Franchise Fees | 230,000 | 230,000 | 230,857 | 857 |
| Alcoholic Beverage Tax | 48,000 | 48,000 | 51,567 | 3,567 |
| Cigarette Tax | 4,800 | 4,800 | 4,411 | (389) |
| Marijuana Tax | - | 60,000 | 141,839 | 81,839 |
| Motel Tax | 55,000 | 55,000 | 51,653 | (3,347) |
| State Revenue Sharing | 32,000 | 32,000 | 37,211 | 5,211 |
| Grants | 13,295 | 13,295 | 12,000 | (1,295) |
| Court Fines | 60,000 | 60,000 | 60,170 | 170 |
| Licenses/Permits/Fees | 20,000 | 20,000 | 15,726 | (4,274) |
| Metro Excise Tax | 7,500 | 13,000 | 6,513 | (6,487) |
| School CET | 75,000 | 130,000 | 69,297 | (60,703) |
| OR State Surcharge | 12,300 | 15,000 | 8,745 | (6,255) |
| Site Review Fees | 2,000 | 2,000 | 50 | (1,950) |
| New Development Review | 12,000 | 12,000 | 4,995 | (7,005) |
| Building Permits | 115,000 | 125,000 | 93,937 | (31,063) |
| Passport Fees | 46,000 | 46,000 | 80,330 | 34,330 |
| Interest on Investments | 10,000 | 10,000 | 27,064 | 17,064 |
| Water Revenue | 65,000 | 65,000 | 68,110 | 3,110 |
| Miscellaneous | 1,000 | 1,000 | 1,165 | 165 |
| Total Revenues | <u>\$ 1,553,895</u> | <u>\$ 1,687,095</u> | <u>\$ 1,683,254</u> | <u>\$ (3,841)</u> |

Continued on page -34B-

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

| | <u>GENERAL FUND</u> | | | VARIANCE POSITIVE (NEGATIVE) |
|----------------------------------|----------------------------|-------------------------|---------------|------------------------------------|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | |
| EXPENDITURES: | | | | |
| City Council | | | | |
| Materials and Services | \$ 51,960 | \$ 100,460 | \$ 88,896 | \$ 11,564 |
| Total City Council | 51,960 | 100,460 (1) | 88,896 | 11,564 |
| Administration Department | | | | |
| Personal Services | 422,615 | 446,188 | 417,247 | 28,941 |
| Materials and Services | 573,538 | 649,648 | 482,419 | 167,229 |
| Capital Outlay | 27,000 | 47,000 | 33,050 | 13,950 |
| Total Administration | 1,023,153 | 1,142,836 (1) | 932,716 | 210,120 |
| Police Department | | | | |
| Personal Services | 857,385 | 841,585 | 743,194 | 98,391 |
| Materials and Services | 174,100 | 177,100 | 140,553 | 36,547 |
| Capital Outlay | 11,950 | 15,450 | 9,015 | 6,435 |
| Total Police Department | 1,043,435 | 1,034,135 (1) | 892,762 | 141,373 |
| General Services | | | | |
| Contingency | 807,113 | 1,153,430 (1) | - | 1,153,430 |
| Total General Services | 807,113 | 1,153,430 | - | 1,153,430 |
| Total Expenditures | 2,925,661 | 3,430,861 | 1,914,374 | 1,516,487 |
| Excess of Revenues Over, (Under) | | | | |
| Expenditures | (1,371,766) | (1,743,766) | (231,120) | 1,512,646 |
| Other Financing Sources, (Uses): | | | | |
| Transfers In | 371,766 | 395,766 | 391,167 | (4,599) |
| Net Change in Fund Balance | (1,000,000) | (1,348,000) | 160,047 | 1,508,047 |
| Beginning Fund Balance | 1,000,000 | 1,348,000 | 1,340,587 | (7,413) |
| Ending Fund Balance | \$ - | \$ - | \$ 1,500,634 | \$ 1,500,634 |

(1) Appropriation Level
Continued from page -34A-

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

STREET FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|--|--------------------|-----------------|------------|------------------------------------|
| REVENUES: | | | | |
| State Gas Tax | \$ 175,000 | \$ 175,000 | \$ 231,538 | \$ 56,538 |
| Washington County Gas Tax | 12,000 | 12,000 | 13,175 | 1,175 |
| City Privilege Tax | 32,000 | 32,000 | 35,533 | 3,533 |
| Bike Path | 1,750 | 1,750 | - | (1,750) |
| Interest on Investments | 2,500 | 5,500 | 4,048 | (1,452) |
| CWS/SWM Fees | 54,000 | 54,000 | 52,568 | (1,432) |
| Miscellaneous | 500 | 500 | - | (500) |
| Total Revenues | 277,750 | 280,750 | 336,862 | 56,112 |
| EXPENDITURES: | | | | |
| Materials and Services | 111,960 | 111,960 (1) | 91,748 | 20,212 |
| Capital Outlay | 330,000 | 475,000 (1) | 422,686 | 52,314 |
| Contingency | 2,746 | 864 (1) | - | 864 |
| Total Expenditures | 444,706 | 587,824 | 514,434 | 73,390 |
| Excess of Revenues Over, (Under) Expenditures | (166,956) | (307,074) | (177,572) | 129,502 |
| Other Financing Sources, (Uses): | | | | |
| Transfer Out | (69,044) | (69,044) (1) | (69,044) | - |
| Total Other Sources, (Uses) | (69,044) | (69,044) | (69,044) | - |
| Net Change in Fund Balance | (236,000) | (376,118) | (246,616) | 129,502 |
| Beginning Fund Balance | 236,000 | 376,118 | 376,117 | (1) |
| Ending Fund Balance | \$ - | \$ - | \$ 129,501 | \$ 129,501 |

(1) Appropriation Level

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON
SUPPLEMENTARY INFORMATION**

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**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

TRANSPORTATION DEVELOPMENT TAX FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| REVENUES: | | | | |
| Traffic Development Tax | \$ 248,340 | \$ 356,640 | \$ 209,436 | \$ (147,204) |
| Interest On Investments | <u>18,000</u> | <u>32,000</u> | <u>40,486</u> | <u>8,486</u> |
| Total Revenues | <u>266,340</u> | <u>388,640</u> | <u>249,922</u> | <u>(138,718)</u> |
| EXPENDITURES: | | | | |
| Capital Outlay | - | 1,000 (1) | 681 | 319 |
| Contingency | <u>2,343,773</u> | <u>2,342,773</u> (1) | <u>-</u> | <u>2,342,773</u> |
| Total Expenditures | <u>2,343,773</u> | <u>2,343,773</u> | <u>681</u> | <u>2,343,092</u> |
| Excess of Revenues, Over (Under) Expenditures | (2,077,433) | (1,955,133) | 249,241 | 2,204,374 |
| Other Financing Sources, (Uses): | | | | |
| Transfer In | - | - | 367 | 367 |
| Transfer Out | <u>-</u> | <u>(24,000)</u> (1) | <u>(24,000)</u> | <u>-</u> |
| Total Other Sources, (Uses) | <u>-</u> | <u>(24,000)</u> | <u>(23,633)</u> | <u>367</u> |
| Net Change in Fund Balance | (2,077,433) | (1,979,133) | 225,608 | 2,204,741 |
| Beginning Fund Balance | <u>2,077,433</u> | <u>2,232,000</u> | <u>2,231,470</u> | <u>(530)</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ 252,867</u> | <u>\$ 2,457,078</u> | <u>\$ 2,204,211</u> |

(1) Appropriations Level

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

LOCAL OPTION LEVY FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| REVENUES: | | | | |
| Interest On Investments | \$ 200 | \$ 200 | \$ 674 | \$ 474 |
| Property Delinquent | 3,000 | 3,000 | - | (3,000) |
| Serial Levy | <u>265,000</u> | <u>265,000</u> | <u>262,927</u> | <u>(2,073)</u> |
| Total Revenues | <u>268,200</u> | <u>268,200</u> | <u>263,601</u> | <u>(4,599)</u> |
| EXPENDITURES: | | | | |
| Personal Services | <u>-</u> | <u>-</u> | <u>(1) -</u> | <u>-</u> |
| Excess of Revenues Over, (Under) Expenditures | 268,200 | 268,200 | 263,601 | (4,599) |
| Other Financing Sources, (Uses): | | | | |
| Transfers Out | <u>(268,200)</u> | <u>(268,200)</u> | <u>(1) (263,601)</u> | <u>4,599</u> |
| Total Other Sources, (Uses) | <u>(268,200)</u> | <u>(268,200)</u> | <u>(263,601)</u> | <u>4,599</u> |
| Net Change in Fund Balance | - | - | - | - |
| Beginning Fund Balance | <u>-</u> | <u>-</u> | <u>21,189</u> | <u>21,189</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 21,189</u> | <u>\$ 21,189</u> |

(1) Appropriations Level

CITY OF KING CITY
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

| <u>PARKS SDC FUND</u> | | | | |
|--|----------------------------|-------------------------|-------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
| REVENUES: | | | | |
| Interest on Investments | \$ 3,000 | \$ 3,000 | \$ 7,518 | \$ 4,518 |
| METRO | - | - | - | - |
| Developmental Charges | 33,280 | 73,280 | 73,892 | 612 |
| Total Revenues | 36,280 | 76,280 | 81,410 | 5,130 |
| EXPENDITURES: | | | | |
| Capital Outlay | - | 40,000 (1) | 37,086 | 2,914 |
| Contingency | 441,758 | 441,758 (1) | - | 441,758 |
| Total Expenditures | 441,758 | 481,758 | 37,086 | 444,672 |
| Excess of Revenue Over, (Under) Expenditures | (405,478) | (405,478) | 44,324 | 449,802 |
| Other Financing Sources, (Uses): | | | | |
| Transfers Out | (34,522) | (34,522) (1) | (34,522) | - |
| Total Other Sources, (Uses) | (34,522) | (34,522) | (34,522) | - |
| Net Change in Fund Balance | (440,000) | (440,000) | 9,802 | 449,802 |
| Beginning Fund Balance | 440,000 | 440,000 | 436,162 | (3,838) |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 445,964</u> | <u>\$ 445,964</u> |

(1) Appropriations Level

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

TRANSPORTATION IMPROVEMENT FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE POSITIVE (NEGATIVE)</u> |
|--|----------------------------|-------------------------|---------------|---|
| REVENUES: | | | | |
| Interest On Investments | \$ - | \$ - | \$ - | \$ - |
| Total Revenues | - | - | - | - |
| EXPENDITURES: | | | | |
| Capital Outlay | - | - (1) | - | - |
| Total Expenditures | - | - | - | - |
| Excess of Revenue Over, (Under) Expenditures | | | | |
| Other Financing Sources, (Uses): | | | | |
| Transfers Out | - | - | (367) | (367) |
| Total Other Sources, (Uses) | - | - | (367) | (367) |
| Net Change in Fund Balance | - | - | (367) | (367) |
| Beginning Fund Balance | - | - | 367 | 367 |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(1) Appropriations Level

*Transfer out the remaining balance to Transportation Development Tax Fund to close Transportation Improvement Fund in fiscal year 2017-18

**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2018**

| <u>TAX YEAR</u> | <u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/17</u> | <u>DEDUCT DISCOUNTS</u> | <u>ADJUSTMENTS TO ROLLS</u> | <u>ADD INTEREST</u> | <u>CASH COLLECTIONS BY COUNTY TREASURER</u> | <u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/18</u> |
|----------------------|---|-----------------------------|-------------------------------------|-------------------------|---|--|
| <u>General Fund:</u> | | | | | | |
| CURRENT: | | | | | | |
| 2017-18 | \$ 1,020,483 | \$ 27,887 | \$ (7,981) | \$ 212 | \$ 974,153 | \$ 10,674 |
| PRIOR YEARS: | | | | | | |
| 2016-17 | 13,954 | - | (1,028) | 340 | 5,064 | 8,202 |
| 2015-16 | 6,545 | (1) | (298) | 238 | 1,258 | 5,228 |
| 2014-15 | 5,490 | - | (400) | 351 | 1,220 | 4,221 |
| 2013-14 | 3,689 | - | (183) | 175 | 501 | 3,180 |
| Prior | 9,070 | - | 103 | 66 | 88 | 9,151 |
| Total Prior | 38,748 | (1) | (1,806) | 1,170 | 8,131 | 29,982 |
| Total All Funds | \$ 1,059,231 | \$ 27,886 | \$ (9,787) | \$ 1,382 | \$ 982,284 | \$ 40,656 |

RECONCILIATION OF REVENUE:

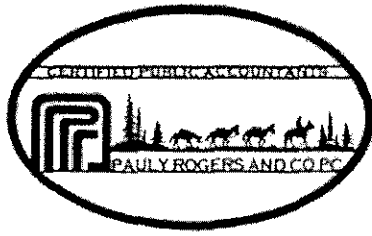
| | <u>Revenue</u> |
|---|----------------|
| Per County Treasurer Above | \$ 982,284 |
| Accrual of Receivables: | |
| June 30, 2017 | (887) |
| June 30, 2018 | 20,333 |
| Taxes in lieu | (38,727) |
| Total Fund Collections per Financial Statements | \$ 963,003 |

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**CITY OF KING CITY
WASHINGTON COUNTY, OREGON**

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 26, 2018

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of King City as of and for the year ended June 30, 2018, and have issued our report thereon dated November 26, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **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).**

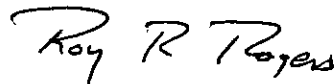
In connection with our testing nothing came to our attention that caused us to believe that the City of King City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative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

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted a matter involving the internal control structure and its operation that we consider to be a material weakness under standards established by the American Institute of Certified Public Accountants, which is noted in our management letter dated November 26, 2018.

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

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" and "R".

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C



Summary of Revenues and Expenditures

Please refer to instructions on next page.

A. Municipal corporation information

| | | |
|--|--------------------------|-----------------------------------|
| Municipality name: | CITY OF KING CITY | |
| Address line 1: | 15300 SW 116TH AVENUE | Reporting period: From 07/01/2017 |
| Address line 2: | | To 06/30/2018 |
| City, state, ZIP: | KING CITY OR 97224 | Report type: Audit |
| Check if new address: | <input type="checkbox"/> | Opinion issued: Qualified |
| If this is the final report, please enter the last date of operations: | | Basis of accounting: GAAP |

D. Financial statement audit – Reported deficiencies

| | |
|--|---|
| 1. Regarding internal controls over financial reporting, how many significant deficiencies and material weaknesses were reported? 1 | 3. How were deficiencies communicated? Check all that apply. <input type="checkbox"/> Report issued in accordance with Government Auditing Standards <input checked="" type="checkbox"/> Communication in accordance with Statements on Auditing Standards AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit" <input type="checkbox"/> Other (specify communication): <input type="checkbox"/> No deficiencies Per OAR 162-010-0230, a copy must be filed with Secretary of State. |
| 2. Of those control deficiencies reported, how many resulted in the following: Accounting errors/Misstatements: 1 Noncompliance: 0 | |

C. Summary of revenues and expenditures

| Revenues and/or receipts | | Expenditures and/or disbursements | |
|---|--------------|--|--------------|
| a. Revenues from government-wide statement of activities: | \$ 2,597,511 | a. Expenditures from government-wide statement of activities: | \$ 1,893,442 |
| b. Fiduciary fund additions: | | b. Fiduciary fund deductions: | |
| c. Gross revenues subtotal (a + b): | \$ 2,597,511 | c. Gross expenditures subtotal (a + b): | \$ 1,893,442 |
| d. Revenues of component units: | | d. Component unit expenditures reported with primary government: | |
| e. Taxes, assessments and other collections to be distributed to other governments: | | e. Turnovers to other municipal corporations: | |
| f. Exempt revenue subtotal (d + e): | \$ 0 | f. Exempt expenditures subtotal (d + e): | \$ 0 |
| g. Net revenues (c – f): | \$ 2,597,511 | g. Net expenditures (c – f): | \$ 1,893,442 |

D. Filing fee: \$ 250**E. Submitted by**

| | | | |
|--------------------------------|------------------------------------|---------------------------|----------------|
| Auditor name: | Roy R. Rogers | Municipal license number: | 0658 |
| Firm name: | Pauly, Rogers & Co., P.C. | Date: | 02/18/2019 |
| Municipal contact name, title: | Michael Weston, City Administrator | Municipal phone: | (503) 639-4082 |

Submit: Click the "Submit" button on the right to submit this form via email. Save a copy for your records.

Submit

Within 30 days of delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Audits Division, and one copy must be delivered to the municipal corporation. If deficiencies are communicated in a separate letter or in a report issued in accordance with *Government Auditing Standards*, a copy of that communication must also be filed. (OAR 162-010-0230)

Instructions

Section A: Municipal corporation information

Type information or use drop-down menu to complete this section. Indicate new address by checking the box.

- **Report type:** Select Audit or Review
- **Opinion issued:** Select from unmodified, qualified, adverse, or disclaimer. If any opinion unit received other than unmodified, please identify that opinion type.
- **Basis of accounting:** Identify whether GAAP, cash, or modified cash basis statements are presented.

Section B: Financial statement audit – ~~Reported~~ deficiencies

B.1. How many significant deficiencies and material weaknesses were communicated?

Include the total number of *material weaknesses* and *significant deficiencies* reported in accordance with AU-C 265, ORS 297.466, and OAR 162-010-0230. Do not count “other matters” communicated.

If none were reported, insert a zero.

B.2. Of those control deficiencies reported, how many resulted in accounting errors/misstatements or noncompliance?

Most deficiencies relate to internal controls over financial reporting. Some control deficiencies might also directly result in accounting errors and misstatements or non-compliance. If any of the findings communicated resulted in accounting errors and misstatements or noncompliance, indicate the number of deficiencies included in the total for B.1 that also pertain to those categories.

B.3. How were deficiencies communicated?

Select the format used to communicate deficiencies to those charged with governance. Check all that apply. If no material weaknesses or significant deficiencies were communicated select No Deficiencies.

NOTE: If deficiencies are communicated (including other matters), the auditor shall file a copy of the communication with the Secretary of State within 30 days of delivering the report to the municipal corporation. (OAR 162-010-0230)

Section C: Summary of revenues and expenditures

Revenues/receipts and expenditures/disbursements information is derived from amounts reported for government-wide and fiduciary activities and on the basis of accounting used in the audited or reviewed financial statements.

Section D: Filing fee

The filing fee is based on net expenditures; section C, line g.
Enter the fee based on the chart below:

| Net expenditures over | Net expenditures do not exceed | Fee |
|-----------------------|--------------------------------|--------|
| \$ 0 | \$ 50,000 | \$ 20 |
| \$ 50,000 | \$ 150,000 | \$ 40 |
| \$ 150,000 | \$ 500,000 | \$ 150 |
| \$ 500,000 | \$ 1,000,000 | \$ 200 |
| \$ 1,000,000 | \$ 5,000,000 | \$ 250 |
| \$ 5,000,000 | \$ 10,000,000 | \$ 300 |
| \$ 10,000,000 | \$ 50,000,000 | \$ 350 |
| \$ 50,000,000 | | \$ 400 |

ORS 297.485(1):

Net expenditures and/or disbursements

The filing fee shall be determined by the total **expenditures** made by the municipal corporation for any and all purposes during the calendar or fiscal year audited, except that **expenditures** for principal of bonded debt, principal of short-term loans, principal of warrants redeemed which were issued during prior audit periods, transfers or loans between funds and turnovers of taxes or other trust moneys to other municipal corporations shall not be included in the **total expenditures** upon which the amount of the fee is based.

Section E: Submitted by

Include the name of the licensed municipal auditor who performed the engagement and is submitting this form. Also include their title, firm name, and date this summary form was completed.

To submit: • Click the “Submit” button on page one to submit this form via email

• Save and email the completed form to municipalfilings.sos@oregon.gov or

• Print a hardcopy and mail to: Audits Division, 255 Capitol St NE, Ste 500, Salem, Oregon 97310-0720

Special Public Works Fund, Interim Financing Loan
– City Hall Remodel:

Recipient: City of King City

Project Number: B19002

CHECKLIST OF CONTRACT DOCUMENTS AND INSTRUCTIONS

Please use the following checklist to ensure that all documents have been completed, and return all contract documents as soon as feasible, but not later than 60 days.

1. ☐ **Contract** signed and dated by the authorized official. Please return signature page only.
2. ☐ **Signature Card** with certification by the authorized official. Please return the complete document.
3. ☐ **Deposit Option Notification** form. Please return the complete form. If you choose to have funds electronically deposited in a financial institution (and not the Local Government Investment Pool), please follow the provided link and send a **Direct Deposit Authorization** form (SFMS ACH-1) to the Oregon Department of Administrative Services.
4. ☐ **Ordinance or Resolution or Order**. Please return the complete document.
5. ☐ **Opinion of Legal Counsel**. Please return the complete document.
6. ☐ **Disbursement Schedule Form**. The contract contains a condition that requires submittal of an estimated schedule of disbursement requests. Submittal must occur prior to the first disbursement of funds. The attached form in Excel format may be used to provide the required information and includes anticipated number, submission dates, and amounts.

Please let your Regional Project Manager know how you would like to receive the final contract documents, once signed by the Oregon Business Development Department.

Document provided for your future use:

Disbursement Request Form. This form is provided in Excel format for you to fill out and submit to your Regional Project Manager as needed once your project is underway.

Later in your project, your Regional Project Manager will provide any necessary report forms.

SPECIAL PUBLIC WORKS FUND DEVELOPMENT PROJECT
INTERIM FINANCING CONTRACT

Project Name: City Hall Improvements

Project Number: B19002

This interim financing contract (“Contract”), dated as of the date the Contract is fully executed, is made by the State of Oregon, acting by and through its Oregon Infrastructure Finance Authority of the Business Development Department (“OBDD”), and the City of King City (“Recipient”) for financing of the project referred to above and described in Exhibit C (“Project”). This Contract becomes effective only when fully signed and approved as required by applicable law. Capitalized terms not defined in Section 1 and elsewhere in the body of the Contract have the meanings assigned to them by Exhibit A.

This Contract includes the following exhibits, listed in descending order of precedence for purposes of resolving any conflict between two or more of the parts:

| | |
|-----------|---------------------|
| Exhibit A | General Definitions |
| Exhibit B | Security |
| Exhibit C | Project Description |
| Exhibit D | Project Budget |

| |
|------------------------------|
| SECTION 1 - KEY TERMS |
|------------------------------|

The following capitalized terms have the meanings assigned below.

“Estimated Project Cost” means \$1,306,156.

“Interest Rate” means 2.25% per annum.

“Loan Amount” means \$1,244,791.

“Maturity Date” means the earlier of 3 years plus 90 days after the date of this Contract, or the receipt of Refunding Proceeds by either party.

“Project Closeout Deadline” means 90 days after the earlier of the Project Completion Date or the Project Completion Deadline.

“Project Completion Deadline” means 36 months after the date of this Contract.

| |
|---|
| SECTION 2 - FINANCIAL ASSISTANCE |
|---|

The OBDD shall provide Recipient, and Recipient shall accept from OBDD, financing for the Project specified below:

A non-revolving loan (the “Loan”) in an aggregate principal amount not to exceed the Loan Amount.

Notwithstanding the above, the aggregate total of Financing Proceeds disbursed under this Contract cannot exceed the Costs of the Project.

SECTION 3 - DISBURSEMENTS

- A. Reimbursement Basis. The Financing Proceeds will be disbursed to Recipient on an expense reimbursement or costs-incurred basis. The Recipient must submit each disbursement request for the Financing Proceeds on an OBDD-provided or OBDD-approved disbursement request form (“Disbursement Request”).
- B. Financing Availability. The OBDD’s obligation to make, and Recipient’s right to request, disbursements under this Contract terminates on the Project Closeout Deadline.
- C. Payment to Contractors. The OBDD, in its sole discretion, may make direct payment to suppliers, contractors and subcontractors and others for sums due them in connection with construction of the Project, instead of reimbursing Recipient for those sums.

SECTION 4 - LOAN PAYMENT; PREPAYMENT

- A. Promise to Pay. The Recipient shall repay the Loan and all amounts due under this Contract in accordance with its terms. Payments required under this Contract are, without limitation, payable from the sources of repayment described in the Act and this Contract, including but not limited to Exhibit B, and the obligation of Recipient to make all payments is absolute and unconditional. Payments will not be abated, rebated, set-off, reduced, abrogated, terminated, waived, postponed or otherwise modified in any manner whatsoever. Payments cannot remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project, commercial frustration of purpose, any change in the laws, rules or regulations of the United States of America or of the State of Oregon or any political subdivision or governmental authority, nor any failure of OBDD to perform any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Project or this Contract, or any rights of set off, recoupment, abatement or counterclaim that Recipient might otherwise have against OBDD or any other party or parties; provided further, that payments hereunder will not constitute a waiver of any such rights.

- B. Interest. Interest accrues at the Interest Rate on each disbursement from the date of disbursement until the Loan is fully paid. Interest is computed by counting the actual days occurring in a 360-day year.

The Recipient authorizes OBDD to calculate interest accrued under the Loan, including as necessary to determine the loan amortization schedule, a loan prepayment, or a loan payoff amount. Absent manifest error, such calculations will be conclusive.

- C. Loan Payment. The entire outstanding balance of the Loan, including all accrued unpaid interest, is due and payable in full on the Maturity Date.
- D. Loan Prepayments.
 - (1) Mandatory Prepayment. The Refunding Proceeds shall be applied to repay the outstanding balance of the Contract. Further, Recipient shall prepay all or part of the outstanding balance of the Loan as may be required by this Contract.
 - (2) Optional Prepayment. The Recipient may prepay all or part of the outstanding balance of the Loan on any day except a Saturday, Sunday, legal holiday or day that banking institutions in Salem, Oregon are closed.

- E. Application of Payments. Regardless of any designation by Recipient, payments and prepayments by Recipient under this Contract or any of the Financing Documents will be applied first to any expenses of OBDD, including but not limited to attorneys' fees, then to unpaid accrued interest (in the case of prepayment, on the amount prepaid), then to the principal of the Loan. In the case of a Loan prepayment that does not prepay all the principal of the Loan, OBDD will determine, in its sole discretion, the method for how the Loan prepayment will be applied to the outstanding principal payments. A scheduled payment received before the scheduled repayment date will be applied to interest and principal on the scheduled repayment date, rather than on the day such payment is received.

SECTION 5 - CONDITIONS PRECEDENT

- A. Conditions Precedent to OBDD's Obligations. The OBDD's obligations are subject to the receipt of the following items, in form and substance satisfactory to OBDD and its Counsel:
- (1) This Contract duly signed by an authorized officer of Recipient.
 - (2) A copy of the ordinance, order or resolution of the governing body of Recipient authorizing the borrowing and the contemplated transactions and the execution and delivery of this Contract and the other Financing Documents.
 - (3) An opinion of Recipient's Counsel.
 - (4) Such other certificates, documents, opinions and information as OBDD may reasonably require.
- B. Conditions to Disbursements. As to any disbursement, OBDD has no obligation to disburse funds unless all following conditions are met:
- (1) There is no Default or Event of Default.
 - (2) The representations and warranties made in this Contract are true and correct on the date of disbursement as if made on such date.
 - (3) The OBDD, in the reasonable exercise of its administrative discretion, has sufficient moneys in the Special Public Works Fund for use in the Project and has sufficient funding, appropriations, limitations, allotments and other expenditure authority to make the disbursement.
 - (4) The Recipient has delivered to OBDD (in form and substance satisfactory to OBDD) an estimated schedule of Disbursement Requests, including anticipated number, submission dates and amounts.
 - (5) The OBDD (a) has received a completed Disbursement Request, (b) has received any written evidence of materials and labor furnished to or work performed upon the Project, itemized receipts or invoices for payment, and releases, satisfactions or other signed statements or forms as OBDD may require, (c) is satisfied that all items listed in the Disbursement Request are reasonable and that the costs for labor and materials were incurred and are properly included in the Costs of the Project, and (d) has determined that the disbursement is only for costs defined as eligible costs under the Act and any implementing administrative rules and policies.
 - (6) The Recipient has delivered documentation satisfactory to OBDD that, in addition to the Financing Proceeds, Recipient has available or has obtained binding commitments for all funds necessary to complete the Project.
 - (7) Any conditions to disbursement elsewhere in this Contract or in the other Financing Documents are met.

SECTION 6 - USE OF FINANCIAL ASSISTANCE

- A. Use of Proceeds. The Recipient shall use the Financing Proceeds only for the activities described in Exhibit C and according to the budget in Exhibit D. The Recipient may not transfer Financing Proceeds among line items in the budget without the prior written consent of OBDD.
- B. Costs of the Project. The Recipient shall apply the Financing Proceeds to the Costs of the Project in accordance with the Act and Oregon law, as applicable. Financing Proceeds cannot be used for costs in excess of one hundred percent (100%) of the total Costs of the Project.
- C. Costs Paid for by Others. The Recipient may not use any of the Financing Proceeds to cover costs to be paid for by other financing for the Project, whether from OBDD or from another State of Oregon agency or any third party.

SECTION 7 - REPRESENTATIONS AND WARRANTIES OF RECIPIENT

The Recipient represents and warrants to OBDD:

- A. Estimated Project Cost, Funds for Repayment. A reasonable estimate of the Costs of the Project is shown in Section 1, and the Project is fully funded. The Recipient will have adequate funds available to repay the Loan, and the Maturity Date does not exceed the usable life of the Project.
- B. Organization and Authority.
 - (1) The Recipient is a Municipality under the Act, and validly organized and existing under the laws of the State of Oregon.
 - (2) The Recipient has all necessary right, power and authority under its organizational documents and under Oregon law to (a) execute and deliver this Contract and the other Financing Documents, (b) incur and perform its obligations under this Contract and the other Financing Documents, and (c) borrow and receive financing for the Project.
 - (3) This Contract and the other Financing Documents executed and delivered by Recipient have been authorized by an ordinance, order or resolution of Recipient's governing body, and voter approval, if necessary, that was adopted in accordance with applicable law and requirements for filing public notices and holding public meetings.
 - (4) This Contract and the other Financing Documents have been duly executed by Recipient, and when executed by OBDD, are legal, valid and binding, and enforceable in accordance with their terms.
- C. Full Disclosure. The Recipient has disclosed in writing to OBDD all facts that materially adversely affect the Project, or the ability of Recipient to make all payments and perform all obligations required by this Contract and the other Financing Documents. The Recipient has made no false statements of fact, nor has it omitted information necessary to prevent any statements from being misleading. The information contained in this Contract and the other Financing Documents is true and accurate in all respects.
- D. Pending Litigation. The Recipient has disclosed in writing to OBDD all proceedings pending (or to the knowledge of Recipient, threatened) against or affecting Recipient, in any court or before any governmental authority or arbitration board or tribunal, that, if adversely determined, would materially adversely affect the Project or the ability of Recipient to make all payments and perform all obligations required by this Contract and the other Financing Documents.

E. No Defaults.

- (1) No Defaults or Events of Default exist or occur upon authorization, execution or delivery of this Contract or any of the Financing Documents.
- (2) The Recipient has not violated, and has not received notice of any claimed violation of, any agreement or instrument to which it is a party or by which the Project or its property may be bound, that would materially adversely affect the Project or the ability of Recipient to make all payments and perform all obligations required by this Contract and the other Financing Documents.

F. Compliance with Existing Agreements and Applicable Law. The authorization and execution of, and the performance of all obligations required by, this Contract and the other Financing Documents will not: (i) cause a breach of any agreement, indenture, mortgage, deed of trust, or other instrument, to which Recipient is a party or by which the Project or any of its property or assets may be bound; (ii) cause the creation or imposition of any third party lien, charge or encumbrance upon any property or asset of Recipient; (iii) violate any provision of the charter or other document pursuant to which Recipient was organized or established; or (iv) violate any laws, regulations, ordinances, resolutions, or court orders related to Recipient, the Project or its properties or operations.

G. Governmental Consent. The Recipient has obtained or will obtain all permits and approvals, and has made or will make all notifications, declarations, filings or registrations, required for the making and performance of its obligations under this Contract and the other Financing Documents, for the financing or refinancing and undertaking and completion of the Project.

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| SECTION 8 - COVENANTS OF RECIPIENT |
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The Recipient covenants as follows:

A. Notice of Adverse Change. The Recipient shall promptly notify OBDD of any adverse change in the activities, prospects or condition (financial or otherwise) of Recipient or the Project related to the ability of Recipient to make all payments and perform all obligations required by this Contract or the other Financing Documents.

B. Compliance with Laws. The Recipient shall comply with all applicable laws, rules, regulations and orders of any court or governmental authority that relate to this Contract or the other Financing Documents, and the Project. In particular, but without limitation, Recipient shall comply with the following, as applicable:

- (1) State procurement regulations found in the Oregon Public Contracting Code, ORS chapters 279A, 279B and 279C.
- (2) State labor standards and wage rates found in ORS chapter 279C.
- (3) OAR 123-042-0165 (5) requirements for signs and notifications.

These laws, rules, regulations and orders are incorporated by reference in this Contract to the extent required by law.

C. Project Completion Obligations. The Recipient shall:

- (1) Provide OBDD with copies of all plans and specifications relating to the Project, and a timeline for the bidding / award process, at least ten (10) days before advertising for bids.
- (2) Provide a copy of the bid tabulation, notice of award, and contract to OBDD within ten (10) days after selecting a construction contractor.

- (3) Permit OBDD to conduct inspection of the Project at any time.
 - (4) Complete the Project using its own fiscal resources or money from other sources to pay for any Costs of the Project in excess of the total amount of financial assistance provided pursuant to this Contract.
 - (5) Complete the Project no later than the Project Completion Deadline, unless otherwise permitted by OBDD in writing.
 - (6) No later than the Project Closeout Deadline, provide OBDD with a final project completion report on a form provided by OBDD, including Recipient's certification that the Project is complete, all payments are made, and no further disbursements are needed; provided however, for the purposes of this Contract, OBDD will be the final judge of the Project's completion.
 - (7) Obtain and maintain as-built drawings for all facilities constructed as part of the Project.
- D. Ownership of Project. During the term of the Loan, the Project is and will continue to be owned by Recipient. The Project will be operated by Recipient or by a person under a management contract or operating agreement with Recipient.
- E. Operation and Maintenance of the Project. The Recipient shall operate and maintain the Project in good repair and operating condition so as to preserve the long term public benefits of the Project, including making all necessary and proper repairs, replacements, additions, and improvements during term of the Loan. On or before the Project Closeout Deadline, Recipient shall adopt a plan acceptable to OBDD for the on-going operation and maintenance of the Project without reliance on OBDD financing and furnish OBDD, at its request, with evidence of such adoption. The plan must include measures for generating revenues sufficient to assure the operation and maintenance of the Project during the usable life of the Project.
- F. Insurance, Damage. The Recipient shall maintain, or cause to be maintained, insurance policies with responsible insurers or self-insurance programs, insuring against liability and risk of direct physical loss, damage or destruction of the Project, at least to the extent that similar insurance is customarily carried by governmental units constructing, operating and maintaining similar facilities. Nothing in this provision precludes Recipient from asserting a defense against any party other than OBDD, including a defense of immunity. If the Project or any portion is destroyed, any insurance proceeds will be paid to OBDD and applied to prepay the outstanding balance on the Loan in accordance with Section 4.D.(1), unless OBDD agrees in writing that the insurance proceeds may be used to rebuild the Project.
- G. Sales, Leases and Encumbrances. Except as specifically described in Exhibit D, Recipient shall not sell, lease, exchange, abandon, transfer or otherwise dispose of any substantial portion of or interest in the Project or any system that provides revenues for payment or is security for the Loan, unless worn out, obsolete, or, in the reasonable business judgment of Recipient, no longer useful in the operation of the Project. Nevertheless, OBDD may consent to such disposition if it has received 90 days' prior written notice from Recipient. Such consent may require assumption by transferee of all of Recipient's obligations under the Financing Documents and payment of OBDD's costs related to such assumption. In the case of sale, exchange, transfer or other similar disposition, Recipient shall, within 30 days of receipt of any proceeds from such disposition, prepay the entire outstanding balance on the Loan in accordance with Section 4.D.(1), unless OBDD agrees otherwise in writing. If Recipient abandons the Project, Recipient shall prepay the entire outstanding balance of the Loan immediately upon demand by OBDD.

- H. Condemnation Proceeds. If the Project or any portion is condemned, any condemnation proceeds will be paid to OBDD and applied to prepay the outstanding balance of the Loan in accordance with Section 4.D.(1).
- I. Financial Records. The Recipient shall keep accurate books and records for the revenues and funds that are the source of repayment of the Loan, separate and distinct from its other books and records, and maintain them according to generally accepted accounting principles established by the Government Accounting Standards Board in effect at the time. The Recipient shall have these records audited annually by an independent certified public accountant, which may be part of the annual audit of all records of Recipient.
- J. Inspections; Information. The Recipient shall permit OBDD and any party designated by OBDD: (i) to inspect, at any reasonable time, the property, if any, constituting the Project; and (ii) at any reasonable time, to inspect and make copies of any accounts, books and records, including, without limitation, its records regarding receipts, disbursements, contracts, investments and any other related matters, and financial statements or other documents related to its financial standing. The Recipient shall supply any related reports and information as OBDD may reasonably require. In addition, Recipient shall, upon request, provide OBDD with copies of loan documents or other financing documents and any official statements or other forms of offering prospectus relating to any other bonds, notes or other indebtedness of Recipient that are issued after the date of this Contract.
- K. Records Maintenance. The Recipient shall retain and keep accessible all books, documents, papers, and records that are directly related to this Contract, the Project or the Financing Proceeds for a minimum of six years, or such longer period as may be required by other provisions of this Contract or applicable law, following the Project Closeout Deadline. If there are unresolved issues at the end of such period, Recipient shall retain the books, documents, papers and records until the issues are resolved.
- L. Economic Benefit Data. The OBDD may require Recipient to submit specific data on the economic development benefits of the Project and other information to evaluate the success and economic impact of the Project, from the date of this Contract until six years after the Project Completion Date. The Recipient shall, at its own expense, prepare and submit the data within the time specified by OBDD.
- M. Disadvantaged Business Enterprises. ORS 200.090 requires all public agencies to “aggressively pursue a policy of providing opportunities for disadvantaged business enterprises, minority-owned businesses, woman-owned businesses, businesses that service-disabled veterans own and emerging small businesses...” The OBDD encourages Recipient in any contracting activity to follow good faith efforts as described in ORS 200.045, available at https://www.oregonlegislature.gov/bills_laws/ors/ors200.html. Additional resources are provided by the Governor’s Policy Advisor for Economic and Business Equity. Also, the Certification Office for Business Inclusion and Diversity at the Oregon Business Development Department maintains a list of certified firms and can answer questions. Search for certified MWESB firms on the web at: <https://oregon4biz.diversitysoftware.com/FrontEnd/VendorSearchPublic.asp>.
- N. Professional Responsibility. A professional engineer or architect, as applicable, registered and in good standing in Oregon, will be responsible for the design and construction of the Project. All service providers retained for their professional expertise must be certified, licensed, or registered, as appropriate, in the State of Oregon for their specialty. The Recipient shall follow standard construction practices, such as bonding requirements for construction contractors, requiring errors and omissions insurance, and performing testing and inspections during construction.

- O. Notice of Default. The Recipient shall give OBDD prompt written notice of any Default as soon as Recipient becomes aware of its existence or reasonably believes a Default is likely.
- P. Indemnity. To the extent authorized by law, Recipient shall defend (subject to ORS chapter 180), indemnify, save and hold harmless OBDD and its officers, employees and agents from and against any and all claims, suits, actions, proceedings, losses, damages, liability and court awards including costs, expenses, and attorneys' fees incurred related to any actual or alleged act or omission by Recipient, or its employees, agents or contractors; however, the provisions of this Section are not to be construed as a waiver of any defense or limitation on damages provided for under Chapter 30 of the Oregon Revised Statutes or under the laws of the United States or other laws of the State of Oregon.
- Q. Further Assurances. The Recipient shall, at the request of OBDD, authorize, sign, acknowledge and deliver any further resolutions, conveyances, transfers, assurances, financing statements and other instruments and documents as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Contract and the other Financing Documents.

SECTION 9 - DEFAULTS

Any of the following constitutes an "Event of Default":

- A. The Recipient fails to make any Loan payment when due.
- B. The Recipient fails to make, or cause to be made, any required payments of principal, redemption premium, or interest on any bonds, notes or other material obligations, for any other loan made by the State of Oregon.
- C. Any false or misleading representation is made by or on behalf of Recipient in this Contract, in any other Financing Document or in any document provided by Recipient related to this Loan or the Project.
- D. (1) A petition, proceeding or case is filed by or against Recipient under any federal or state bankruptcy or insolvency law, and in the case of a petition filed against Recipient, Recipient acquiesces to such petition or such petition is not dismissed within 20 calendar days after such filing, or such dismissal is not final or is subject to appeal;
- (2) The Recipient files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, winding-up or composition or adjustment of debts;
- (3) The Recipient becomes insolvent or bankrupt or admits its inability to pay its debts as they become due, or makes an assignment for the benefit of its creditors;
- (4) The Recipient applies for or consents to the appointment of, or taking of possession by, a custodian (including, without limitation, a receiver, liquidator or trustee) of Recipient or any substantial portion of its property; or
- (5) The Recipient takes any action for the purpose of effecting any of the above.
- E. The Recipient defaults under any other Financing Document and fails to cure such default within the applicable grace period.
- F. The Recipient fails to perform any obligation required under this Contract, other than those referred to in Subsections A through E of this Section 9, and that failure continues for a period of 30 calendar days after written notice specifying such failure is given to Recipient by OBDD. The OBDD may agree in writing to an extension of time if it determines Recipient instituted and has diligently pursued corrective action.

SECTION 10 - REMEDIES

- A. Remedies. Upon any Event of Default, OBDD may pursue any or all remedies in this Contract or any other Financing Document, and any other remedies available at law or in equity to collect amounts due or to become due or to enforce the performance of any obligation of Recipient. Remedies may include, but are not limited to:
- (1) Terminating OBDD's commitment and obligation to make any further disbursements of Financing Proceeds under the Contract.
 - (2) Declaring all payments under the Contract and all other amounts due under any of the Financing Documents immediately due and payable, and upon notice to Recipient the same become due and payable without further notice or demand.
 - (3) Barring Recipient from applying for future awards.
 - (4) Withholding amounts otherwise due to Recipient for application to the payment of amounts due under this Contract, including as provided in ORS 285B.449; however, this provision is not to be construed in a way that Recipient's obligations would constitute debt that violates Section 10, Article XI of the Oregon Constitution.
 - (5) Foreclosing liens or security interests pursuant to this Contract or any other Financing Document.
- B. Application of Moneys. Any moneys collected by OBDD pursuant to Section 10.A will be applied first, to pay any attorneys' fees and other fees and expenses incurred by OBDD; then, to pay interest due on the Loan; then, to pay principal due on the Loan; and last, to pay any other amounts due and payable under this Contract or any of the Financing Documents.
- C. No Remedy Exclusive; Waiver; Notice. No remedy available to OBDD is intended to be exclusive, and every remedy will be in addition to every other remedy. No delay or omission to exercise any right or remedy will impair or is to be construed as a waiver of such right or remedy. No single or partial exercise of any right power or privilege under this Contract or any of the Financing Documents will preclude any other or further exercise thereof or the exercise of any other such right, power or privilege. The OBDD is not required to provide any notice in order to exercise any right or remedy, other than notice required in Section 9 of this Contract.
- D. Default by OBDD. In the event OBDD defaults on any obligation in this Contract, Recipient's remedy will be limited to injunction, special action, action for specific performance, or other available equitable remedy for performance of OBDD's obligations.

SECTION 11 - MISCELLANEOUS

- A. Time is of the Essence. The Recipient agrees that time is of the essence under this Contract and the other Financing Documents.
- B. Relationship of Parties; Successors and Assigns; No Third Party Beneficiaries.
- (1) The parties agree that their relationship is that of independent contracting parties and that Recipient is not an officer, employee, or agent of the State of Oregon as those terms are used in ORS 30.265.
 - (2) Nothing in this Contract gives, or is to be construed to give, directly or indirectly, to any third persons any rights and benefits greater than those enjoyed by the general public.

- (3) This Contract will be binding upon and inure to the benefit of OBDD, Recipient, and their respective successors and permitted assigns.
- (4) The Recipient may not assign or transfer any of its rights or obligations or any interest in this Contract or any other Financing Document without the prior written consent of OBDD. The OBDD may grant, withhold or impose conditions on such consent in its sole discretion. In the event of an assignment, Recipient shall pay, or cause to be paid to OBDD, any fees or costs incurred because of such assignment, including but not limited to attorneys' fees of OBDD's Counsel. Any approved assignment is not to be construed as creating any obligation of OBDD beyond those in this Contract or other Financing Documents, nor does assignment relieve Recipient of any of its duties or obligations under this Contract or any other Financing Documents.
- (5) The Recipient hereby approves and consents to any assignment, sale or transfer of this Contract and the Financing Documents that OBDD deems to be necessary.

C. Disclaimer of Warranties; Limitation of Liability. The Recipient agrees that:

- (1) The OBDD makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the Project or any portion of the Project, or any other warranty or representation.
- (2) The liability of the OBDD under this Contract is contingent upon the availability of moneys in the Special Public Works Fund for use in the project, and in no event are OBDD or its agents liable or responsible for any direct, indirect, incidental, special, consequential or punitive damages in connection with or arising out of this Contract or the existence, furnishing, functioning or use of the Project.

D. Notices. All notices to be given under this Contract or any other Financing Document must be in writing and addressed as shown below, or to other addresses that either party may hereafter indicate pursuant to this Section. Notices may only be delivered by personal delivery or mailed, postage prepaid. Any such notice is effective five calendar days after mailing, or upon actual delivery if personally delivered.

If to OBDD: Assistant Director
 Economic Development
 Oregon Business Development Department
 775 Summer Street NE Suite 200
 Salem OR 97301-1280

If to Recipient: City Manager
 City of King City
 15300 SW 116th Avenue
 King City OR 97224-2658

- E. No Construction against Drafter. This Contract is to be construed as if the parties drafted it jointly.
- F. Severability. If any term or condition of this Contract is declared by a court of competent jurisdiction as illegal, invalid or unenforceable, that holding will not invalidate or otherwise affect any other provision.

- G. Amendments, Waivers. This Contract may not be amended without the prior written consent of OBDD (and when required, the Department of Justice) and Recipient. This Contract may not be amended in a manner that is not in compliance with the Act. No waiver or consent is effective unless in writing and executed by the party against whom such waiver or consent is sought to be enforced. Such waiver or consent will be effective only in the specific instance and for the specific purpose given.
- H. Attorneys' Fees and Other Expenses. To the extent permitted by the Oregon Constitution and the Oregon Tort Claims Act, the prevailing party in any dispute arising from this Contract is entitled to recover its reasonable attorneys' fees and costs at trial and on appeal. Reasonable attorneys' fees cannot exceed the rate charged to OBDD by its attorneys. The Recipient shall, on demand, pay to OBDD reasonable expenses incurred by OBDD in the collection of Loan payments.
- I. Choice of Law; Designation of Forum; Federal Forum. The laws of the State of Oregon (without giving effect to its conflicts of law principles) govern all matters arising out of or relating to this Contract, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to this Contract shall bring the legal action or proceeding in the Circuit Court of the State of Oregon for Marion County (unless Oregon law requires that it be brought and conducted in another county). Each party hereby consents to the exclusive jurisdiction of such court, waives any objection to venue, and waives any claim that such forum is an inconvenient forum.

Notwithstanding the prior paragraph, if a claim must be brought in a federal forum, then it must be brought and adjudicated solely and exclusively within the United States District Court for the District of Oregon. This paragraph applies to a claim brought against the State of Oregon only to the extent Congress has appropriately abrogated the State of Oregon's sovereign immunity and is not consent by the State of Oregon to be sued in federal court. This paragraph is also not a waiver by the State of Oregon of any form of defense or immunity, including but not limited to sovereign immunity and immunity based on the Eleventh Amendment to the Constitution of the United States.

- J. Integration. This Contract (including all exhibits, schedules or attachments) and the other Financing Documents constitute the entire agreement between the parties on the subject matter. There are no unspecified understandings, agreements or representations, oral or written, regarding this Contract.
- K. Execution in Counterparts. This Contract may be signed in several counterparts, each of which is an original and all of which constitute one and the same instrument.

SIGNATURE PAGE FOLLOWS

The Recipient, by its signature below, acknowledges that it has read this Contract, understands it, and agrees to be bound by its terms and conditions.



STATE OF OREGON
acting by and through its
Oregon Infrastructure Finance Authority
of the Business Development Department



CITY OF KING CITY

By: _____
Chris Cummings, Assistant Director
Economic Development

By: _____
The Honorable Kenneth Gibson
Mayor of King City

Date: _____

Date: _____

APPROVED AS TO LEGAL SUFFICIENCY IN ACCORDANCE WITH ORS 291.047:

/s/ Sam Zeigler per email dated 20 February 2019
Sam Zeigler, Senior Assistant Attorney General

EXHIBIT A - GENERAL DEFINITIONS

As used in this Contract, the following terms have the meanings below.

“Act” means ORS 285B.410 through 285B.482, as amended.

“Award” means the award of financial assistance to Recipient by OBDD dated 5 December 2018.

“Costs of the Project” means Recipient’s actual costs (including any financing costs properly allocable to the Project) that are (a) reasonable, necessary and directly related to the Project, (b) permitted by generally accepted accounting principles to be Costs of the Project, and (c) are eligible or permitted uses of the Financing Proceeds under applicable state or federal statute and rule.

“Counsel” means an attorney at law or firm of attorneys at law duly admitted to practice law before the highest court of any state, who may be of counsel to, or an employee of, OBDD or Recipient.

“Default” means an event which, with notice or lapse of time or both, would become an Event of Default.

“Financing Documents” means this Contract and all agreements, instruments, documents and certificates executed pursuant to or in connection with OBDD’s financing of the Project.

“Financing Proceeds” means the proceeds of the Loan.

“Lottery Bonds” means any bonds issued by the State of Oregon that are special obligations of the State of Oregon, payable from unobligated net lottery proceeds, together with any refunding bonds, used to finance or refinance the Project through the initial funding or refinancing of all or a portion of the Loan.

“Municipality” means any entity described in ORS 285B.410(8).

“ORS” means the Oregon Revised Statutes.

“Project Completion Date” means the date on which Recipient completes the Project.

“Refunding Proceeds” means the proceeds of any subsequent short- or long-term financing, whether resulting from the sale of tax-exempt bonds or otherwise, issued to refund the Loan or to finance the Project.

EXHIBIT B - SECURITY

- A. General Fund Pledge. The Recipient pledges its full faith and credit and taxing power within the limitations of Article XI, Sections 11 and 11 b, of the Oregon Constitution to pay the amounts due under this Contract. All amounts due under this Contract are payable from all legally available funds of Recipient.
- B. Refunding Proceeds. The outstanding principal of and accrued, but unpaid, interest on the Loan shall be payable from any Refunding Proceeds. The Recipient hereby grants to OBDD a security interest in and irrevocably pledges the Refunding Proceeds to pay all of the obligations owed by Recipient to OBDD under this Contract. The Refunding Proceeds pledged and hereafter received by Recipient will be immediately subject to the lien of this pledge without physical delivery or further act, and the lien of this pledge will be superior to all other claims and liens to the fullest extent permitted by ORS 287A.310. The Recipient represents and warrants that this pledge of Refunding Proceeds complies with, and is valid and binding from the effective date of this Contract as described in, ORS 287A.310.

C. Pledge of Net Revenues of Serial Levy Property Tax Fund.

1. All payment obligations under this Contract and the other Financing Documents are payable from the revenues of Recipient's Serial Levy Property Tax Fund ("Fund") after payment of operation and maintenance costs of the Fund ("Net Revenues"). The Recipient irrevocably pledges and grants to OBDD a security interest in the Net Revenues to pay all of Recipient's obligations under this Contract and the other Financing Documents. The Net Revenues pledged pursuant to the preceding sentence and received by Recipient will immediately be subject to the lien of this pledge without physical delivery, filing or further act, and the lien of this pledge is superior to all other claims and liens, except as provided in Subsections 2 and 3 of this Section C, to the fullest extent permitted by ORS 287A.310. The Recipient represents and warrants that this pledge of Net Revenues complies with, and is valid and binding from the date of this Contract as described in, ORS 287A.310.

2. The Recipient shall not incur any obligation payable from or secured by a lien on and pledge of the Net Revenues that is superior to, or on parity with the Loan.

3. Notwithstanding the requirements of Subsection 2 of this Section C, loans previously made and loans made in the future by OBDD to Recipient that are secured by the Net Revenues may have a lien on such Net Revenues on parity with the Loan; provided that nothing in this paragraph will adversely affect the priority of any of OBDD's liens on such Net Revenues in relation to the lien(s) of any third party(ies).

EXHIBIT C - PROJECT DESCRIPTION

The Recipient will construct improvements to its current city hall pursuant to the design plans completed by Scott Edward Architecture on 1 August 2018, Job Number 17160. The improvements will include, but are not limited to the following:

- Address water infiltration on the north side of the building
- Abate asbestos and moisture / mold problems in and under the building
- Improvement to police officer area to address Department of Public Safety Standards and Training
- Redesign the layout of the building to provide a larger and more efficient space for the public

EXHIBIT D - PROJECT BUDGET

| | OBDD Funds | Other / Matching Funds |
|--------------------------|-----------------|------------------------|
| Activity | Approved Budget | Approved Budget |
| Design / Engineering | \$0 | \$61,365 |
| Construction | 1,029,697 | 0 |
| Construction Contingency | 59,275 | 0 |
| Construction Management | 155,819 | 0 |
| Total | \$1,244,791 | \$61,365 |

Authorized Signature Card for Cash Payments on Oregon Business Development Department Awards

| | | | |
|--|--|--|--|
| Recipient | | Project Number | |
| Signatures of Delegated Authorized Individuals to Request Payments (Two signatures are required to request disbursement of funds) | | | |
| _____ Typed Name and Title (1) a _____ Signature (Highest Elected Official must not sign here) | | _____ Typed Name and Title (1) b _____ Signature (Highest Elected Official must not sign here) | |
| Additional Signatures (if desired) | | | |
| _____ Typed Name and Title (1) c _____ Signature (Highest Elected Official must not sign here) | | _____ Typed Name and Title (1) d _____ Signature (Highest Elected Official must not sign here) | |
| I certify that the signatures above are of the individuals authorized to draw funds for the cited project. _____ Typed Name, Title and Date (2) _____ Signature of Highest Elected Official or duly authorized official for the Recipient (Must not be listed in item (1) a through (1) d above) | | Agency Use Only: Date Received: | |

Oregon Business Development Department/Authorized Signature Card

Preparation of the Authorized Signature Card Form: If a mistake is made, or a change is necessary during the preparation of the signature card form, please prepare a new form, since erasures or corrections of any kind will not be acceptable. If you want to change individuals authorized to draw funds from the project, then please submit a new signature card. Any updated signature card will replace the previous one, so please be sure to include the names of all authorized individuals.

Item # Explanation

- (1) a-d Type the names and titles, and provide the signatures of the officials of your organization who are authorized to make draws on project funds. (Note: **Two** signatures are required. We recommend showing three or four signatures to allow adequate signature coverage.)
- (2) Enter the typed name, title, date and signature of the Highest Elected Official, or other official duly authorized by the governing body of the Recipient, certifying the authenticity of the signatures of individuals listed in Item (1) a through (1) d. The person signing here **must not be listed in Item (1) a through d.**
- (3) Leave blank—Oregon Business Development Department will sign here.

Complete one form and return it to: Oregon Business Development Department
 775 SUMMER ST NE STE 200
 SALEM OR 97301-1280

DEPOSIT OPTION NOTIFICATION

Complete and return this form to

Oregon Business Development Department

775 SUMMER ST NE STE 200

SALEM OR 97301-1280

Recipient

Federal Tax ID Number

Project Name

Project Number

I (we), the undersigned do hereby authorize the Oregon Business Development Department to: (Choose Method I or II below)

Method I - Electronic Funds Transfer (EFT)

Private Sector or Government Entities

Use New EFT Account: A **Direct Deposit Form (SFMS ACH-1)** completed by *Financial Institution Representative* has been forwarded to the Oregon Department of Administrative Services authorizing the Oregon State Treasury to deposit funds into the designated financial account by way of the Automated Clearing House Services (ACH) of the Federal Reserve Banking System.

Requires an SFMS ACH-1 form to be marked CONFIDENTIAL and mailed to:

Oregon Department of Administrative Services

SFMS Operations / ACH Coordinator

155 COTTAGE ST NE STE U60

SALEM OR 97301-3970

Get the form here: [www.oregon.gov/das/Financial/AcctgSys/Documents/ACH Enrollment Form.pdf](http://www.oregon.gov/das/Financial/AcctgSys/Documents/ACH_Enrollment_Form.pdf)

Use Existing EFT Account: An account has already been set up for EFT deposits as required above.

Method II - Local Government Investment Pool (LGIP)

Government Entities Only

Transfer funds to the **Oregon State Treasury Local Government Investment Pool** by electronic or other means.

The Oregon State Treasury is authorized to accept and deposit said funds into Local Government Investment Pool Account Number _____.

This authorization will override any previous authorization and will remain in effect until the Oregon Business Development Department has received written notification of its termination.

Type or Print Name(s) _____

Signature(s) _____

Title(s) _____

Date

Telephone Number

Fax Number

[ORDINANCE NUMBER _____] [RESOLUTION NUMBER _____] [ORDER NUMBER _____]

[ORDINANCE] [RESOLUTION] [ORDER] OF THE CITY OF KING CITY
AUTHORIZING A LOAN FROM THE SPECIAL PUBLIC WORKS FUND
BY ENTERING INTO A FINANCING CONTRACT
WITH THE OREGON INFRASTRUCTURE FINANCE AUTHORITY

The [name of governing body] (the “Governing Body”) of the City of King City (the “Recipient”) finds:

- A. The Recipient is a “municipality” within the meaning of Oregon Revised Statutes 285B.410(9).
- B. Oregon Revised Statutes 285B.410 through 285B.482 (the “Act”) authorize any municipality to file an application with the Oregon Infrastructure Finance Authority of the Business Development Department (“OBDD”) to obtain financial assistance from the Special Public Works Fund.
- C. The Recipient has filed an application with the OBDD to obtain financial assistance for a “development project” within the meaning of the Act.
- D. The OBDD has approved the Recipient’s application for financial assistance from the Special Public Works Fund pursuant to the Act.
- E. The Recipient is required, as a prerequisite to the receipt of financial assistance from the OBDD, to enter into a Financing Contract with the OBDD, number B19002, substantially in the form attached hereto as Exhibit 1. The project is described in Exhibit C to that Financing Contract (the “Project”).
- F. Notice relating to the Recipient’s consideration of the adoption of this [Ordinance/Resolution/Order] was published in full accordance with the Recipient’s charter and laws for public notification.

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Recipient as follows:

1. Financing Loan Authorized. The Governing Body authorizes the [Title of Officer] (the “Authorized Officer”) to execute on behalf of Recipient the Financing Contract and such other documents as may be required to obtain financial assistance (the “Financing Documents”), including a loan from the OBDD, on such terms as may be agreed upon between the Authorized Officer and OBDD, on the condition that the principal amount of the loan from the OBDD to the Recipient is not in excess of \$1,244,791 and an interest rate of 2.25% per annum. The proceeds of the loan from the OBDD will be applied solely to the “Costs of the Project” as such term is defined in the Financing Contract.
2. Sources of Repayment. Amounts payable by the Recipient are payable from the sources described in section 4 of the Financing Contract and the Oregon Revised Statutes Section 285B.437(3) which include:
 - (a) The revenues of the project, including special assessment revenues;
 - (b) Amounts withheld under ORS 285B.449 (1);
 - (c) The general fund of the Recipient; or
 - (d) Any other source.
3. Tax-Exempt Status. The Recipient covenants not to take any action or omit to take any action if the taking or omission would cause interest paid by the Recipient pursuant to the Financing Documents not to qualify for the exclusion from gross income provided by Section 103(a) of the Internal Revenue Code of 1986, as amended. The Recipient may enter into covenants to protect the tax-exempt status of the interest paid by the Recipient pursuant to the Financing Documents and may execute any Tax Certificate, Internal Revenue Service forms or other documents as may be required by the OBDD or its bond counsel to protect the tax-exempt status of such interest.

DATED this ____ day of _____, 20 ____.

[NAME OF RECIPIENT]

[Officer's Title]

ATTEST:

[Officer's Title]

Draft

SAMPLE OPINION OF LEGAL COUNSEL
[LETTERHEAD OF COUNSEL]

[DATED _____]

Oregon Infrastructure Finance Authority
775 Summer Street NE Suite 200
Salem OR 97301-1280

Ladies and Gentlemen:

[Insert “I” or “We”] have acted as counsel to the City of King City (the “Recipient”), which has entered into a Financing Contract (as hereinafter defined) with the Oregon Infrastructure Finance Authority of the Business Development Department (“OBDD”) pursuant to Sections 285B.410 through 285B.482 of the Oregon Revised Statutes (the “Act”), and have acted as such in connection with the authorization, execution and delivery by the Recipient of the Contract (as hereinafter defined). Capitalized terms not otherwise defined in this letter shall have the meanings assigned to them by the Contract.

In so acting [insert “I” or “we”] have examined the Constitution and laws of the State of Oregon and the Recipient’s Charter, if any. [Insert “I” or “We”] have also examined originals, or copies certified or otherwise identified to [insert “my” or “our”] satisfaction, of the following:

A. The Financing Contract by and between the OBDD and the Recipient, number B19002, signed by Recipient on _____, 20____, in the principal loan amount of \$1,244,791, executed by the Recipient (collectively, the “Contract”).

B. Proceedings of the governing body of the Recipient relating to the approval of the Contract and the execution, issuance and delivery thereof on behalf of the Recipient, and the authorization of the undertaking and completion of the Project as defined in the Contract;

C. All outstanding instruments relating to bonds, notes or other indebtedness of or relating to the Recipient.

[insert “I” or “We”] have also examined and relied upon originals, or copies certified or otherwise authenticated to [insert “my” or “our”] satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in [insert “my” or “our”] judgment [insert “I” or “we”] have deemed necessary or appropriate to enable [insert “me” or “us”] to render the opinions expressed below.

Based upon the foregoing, [insert “I am” or “We are”] of the opinion that:

1. The Recipient is a duly formed and operating [insert specific nature of governmental entity] described in ORS 285B.410(9), with the legal right to own and operate the Project.

2. The Recipient has full legal right and authority to execute and deliver the Contract and to observe and perform its duties, covenants, obligations and agreements thereunder and to undertake and complete the Project.

3. Amounts due to the OBDD pursuant to the Contract are payable from the sources described in Section 4 of the Contract.

4. The Ordinance (the “Ordinance”) of the Recipient approving the Contract and authorizing their execution, issuance and delivery on behalf of the Recipient, and authorizing the Recipient to undertake and complete the Project has been duly and lawfully adopted and authorized in accordance with the Recipient’s Charter, if any, the Act and other applicable Oregon law, and the Ordinance was adopted at a meeting or meetings which were duly called with public notice and held in accordance with the Recipient’s Charter, if any, and applicable Oregon law, and at which quorums were present and acting throughout.

5. The Contract has been duly authorized, executed and delivered by the authorized officers of the Recipient and constitutes the legal, valid and binding obligation of the Recipient enforceable in accordance with its terms; subject, however, to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights or remedies generally (“Creditor’s Rights Limitations”) heretofore or hereafter enacted and the application of equitable principles.

6. To the best of [insert “my” or “our”] knowledge, after such investigation as [insert “I” or “we”] have deemed appropriate, the authorization, execution and delivery of the Contract by the Recipient, the observation and performance by the Recipient of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions contemplated therein and the undertaking and completion of Project, do not and will not contravene any existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or governmental or administrative agency, authority or person having jurisdiction over the Recipient or its property or assets or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing bond ordinance, resolution, trust agreement, indenture, mortgage, deed of trust or other agreement to which the Recipient is a party or by which it, the Project, or its property or assets is bound.

7. To the best of [insert “my” or “our”] knowledge, after such investigation as [insert “I” or “we”] have deemed appropriate, all approvals, consents or authorizations of, or registrations of or filings with, any governmental or public agency, authority or person required to date on the part of the Recipient in connection with the authorization, execution, delivery and performance of the Contract and the undertaking and completion of the Project have been obtained or made.

8. To the best of [insert “my” or “our”] knowledge, after such investigation as [insert “I” or “we”] have deemed appropriate, there is no litigation or other proceeding pending or threatened in any court or other tribunal of competent jurisdiction (either State or Federal) questioning the creation, organization or existence of the Recipient or of the validity, legality or enforceability of the Contract or the undertaking or completion of the Project.

This opinion is rendered on the basis of the laws of the State of Oregon, including the Act, as enacted and construed on the date hereof. [insert “I” or “We”] express no opinion as to any matter not set forth in the numbered paragraphs herein.

Very truly yours,

Proposed Disbursement Schedule

| | | | |
|------------------------|------------------------|--|--|
| Project Name: | City Hall Improvements | | |
| Recipient: | City of King City | | |
| Project Number: | B19002 | | |
| Award Amount: | \$1,244,791 | | |

| # | Month / Year | Amount (\$) | Activities Associated with Disbursement |
|----|--------------|--------------|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| | | \$0 | \$1,244,791 |
| | | TOTAL | REMAINING FUNDS |

OBDD Disbursement Request



Recipient: City of King City
Project Name: City Hall Improvements
Funding Programs: Special Public Works Fund

Project Number: B19002
 4823-01

Request Number:

Final Draw? ☐ Yes ☐ No

Reporting Period: to

| | OBDD Funds (Enter Whole Dollars Only) | | | | Other / Matching Funds (Enter Whole Dollars Only) | | | | All Funds |
|--------------------------|---------------------------------------|---------------------|-----------------|---------------|---|--------------------|---------------------|---------------|----------------------|
| (A) | (B) | (C) | (D) | (E) = [B-C-D] | (F) | (G) | (H) | (I) = [F-G-H] | (J) = [C+D+G+H] |
| Activity | Approved Budget | Prior Disbursements | Current Request | Balance | Approved Budget | Prior Expenditures | Current Expenditure | Balance | Disbursed & Expended |
| Design / Engineering | | | | | \$61,365 | | | \$61,365 | |
| Construction | 1,029,697 | | | 1,029,697 | | | | | |
| Construction Contingency | 59,275 | | | 59,275 | | | | | |
| Construction Management | 155,819 | | | 155,819 | | | | | |
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| | | | | | | | | | |
| Total | \$1,244,791 | | | \$1,244,791 | \$61,365 | | | \$61,365 | |

Certification: We certify that the data are correct and that the amount requested is not in excess of current needs.

Authorized Signature & Title Date

Authorized Signature & Title Date

Project Contact for Payment Notification Phone Number

E-Mail Address

For OBDD Use Only: I have reviewed this request and approve payment to the above mentioned recipient in the amount(s) listed below.

Dollar Amount

Funding Type

Funding Program

Loan / Grant / Forgivable

(If more than one source of funds)

\$ _____

\$ _____

\$ _____

\$ _____

Contract Administrator Signature

Date

Manager Signature

Date

OBDD Disbursement Request

| | | | |
|--------------------------|---------------------------|------------------------|-------------------|
| Recipient: | City of King City | Project Number: | B19002 4823-01 |
| Project Name: | City Hall Improvements | Request Number: | |
| Funding Programs: | Special Public Works Fund | | |

Project Goals (Report for Every Cash Draw)

| | Proposed Work Plan | Estimated Completion Date | Results Achieved |
|-----|-----------------------|---------------------------|------------------|
| 1. | Demolition | Dec 31 2018 | |
| 2. | Construction | Jun 30 2019 | |
| 3. | Construction Complete | Sep 30 2019 | |
| 4. | Project Closeout | Nov 30 2019 | |
| 5. | | | |
| 6. | | | |
| 7. | | | |
| 8. | | | |
| 9. | | | |
| 10. | | | |

Scope of Services & Fees for Furniture Contract:

February 26, 2019

Michael Weston
City of King City

RE: FFE services for Cit Hall

Dear Mike,

The following is our basic scope of services and fee proposal for providing furniture specifications for your facility.

Scope of Services:

We have based our fees on the following:

1. Review architectural color and materials.
2. Prepare preliminary furniture list.
3. Select preliminary furniture options.
4. Review and receive feedback.
5. Refine furniture selections based on review.
6. Coordinate with vendors for bids.
7. Prepare furniture specifications for issuance to City representative for purchasing.
8. Assist with coordination and questions with furniture vendor/s.

Schedule:

We would anticipate furniture selection and specifications to be completed over a maximum of 3 week process.

Assumptions:

1. Client contact, decision maker, will remain the same throughout the design process.
2. This is based on 2 client meetings through the design process.
3. Bainbridge does not directly procure furniture - The city will need to arrange for deposits and payments to each vendor.

Fees:

Based on the scope of services listed above, we estimate our fees will not exceed **\$4,000.00** plus reimbursables.

Billings are based on the following hourly rates:

| | |
|-----------------------|-----------------|
| Principal | @ \$135.00/hour |
| Project Manager | @ \$120.00/hour |
| Senior Designer | @ \$110.00/hour |
| Designer/Draftsperson | @ \$100.00/hour |

Reimbursable expenses, such as CAD plotting, blue prints and other reproduction and any presentation materials, travel expenses will be billed at cost and are in addition to the fee estimate.

If all is acceptable, please sign below.

Thank you.



Andrea Bainbridge
Bainbridge.

Client

date
