

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

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

**2020-2021**  
**FINANCIAL REPORT**

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

**2020-2021  
FINANCIAL REPORT**

CITY COUNCIL

TERM EXPIRES

Ken Gibson, Mayor	December, 31 2022
Jaimie Fender, President	December, 31 2022
Shawna Thompson, Secretary	December, 31 2024
Kate Mohr	December, 31 2024
David Platt	December, 31 2022
Smart Ocholi	December, 31 2024
Micah Paulsen	December, 31 2022

All council members receive mail at the address shown below.

ADMINISTRATION

Michael Weston, City Manager  
15300 S.W. 116<sup>th</sup> Avenue  
King City, Oregon 97224

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**CITY OF KING CITY**  
**WASHINGTON COUNTY, OREGON**  
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12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
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www.paulyrogersandcocpas.com

March 1, 2022

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, 2021, 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, 2021, 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.

## **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 RHIA, 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*

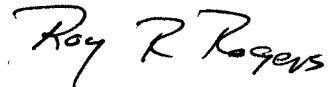
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 March 1, 2022, 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 style with a large, stylized "R" in the middle.

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, 2021. 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 \$17,895,096 at June 30, 2021.
- During the year, the City's net position increased by \$1,758,395
- The general fund reported a fund balance this year of \$2,248,929

### **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 schedules are fund financial schedules that focus on individual parts of the City, reporting the operations in more detail than the government-wide statements. The governmental funds schedules 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**

	2020	2021	% Change
<b>ASSETS:</b>			
Current and other assets	\$3,262,408	\$3,551,700	8.87%
Capital assets (net)	\$15,368,649	\$16,815,205	9.41%
Total assets	<u>\$18,631,057</u>	<u>\$20,366,905</u>	9.32%
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	<u>\$418,478</u>	<u>\$446,305</u>	6.65%
<b>LIABILITIES:</b>			
Current and other liabilities	\$1,067,231	\$1,244,155	16.58%
Noncurrent liabilities (net)	\$1,572,170	\$1,537,212	-2.22%
Total liabilities	<u>\$2,639,401</u>	<u>\$2,781,367</u>	5.38%
<b>DEFERRED INFLOWS OF RESOURCES:</b>	<u>\$106,535</u>	<u>\$136,747</u>	28.36%
<b>NET POSITION:</b>			
Net investment in capital assets	\$13,796,479	\$15,243,035	10.48%
Restricted	\$709,882	\$463,389	-34.72%
Unrestricted	<u>\$1,797,238</u>	<u>\$2,188,037</u>	21.78%
Total net position	<u>\$16,303,599</u>	<u>\$17,895,096</u>	9.76%

## CITY OF KING CITY – CHANGES IN NET POSITION

	2020	2021	% Change
<b>REVENUES:</b>			
Program Revenues:			
Charges for Services	\$686,106	\$700,647	2.12%
Grant and Contributions	\$63,415	\$326,890	415.48%
General Revenues:			
Property Tax	\$1,075,604	\$1,186,698	10.33%
Other	\$833,078	\$957,568	14.94%
Total Revenues	<u>\$2,658,203</u>	<u>\$3,171,803</u>	19.32%
<b>EXPENSES:</b>			
General Government	\$853,399	\$690,141	-19.13%
Street	\$58,424	\$116,522	99.44%
Police	\$783,568	\$578,099	-26.22%
Debit Service	\$42,195	\$28,646	-32.11%
Total Expenses	<u>\$1,737,586</u>	<u>\$1,413,408</u>	-18.66%
Change in Net Position	\$920,617	\$1,758,395	91.00%
Beginning Net Position (Restated)	<u>\$15,382,982</u>	<u>\$16,136,701</u>	4.91%
Ending Net Position	<u><u>\$16,303,599</u></u>	<u><u>\$17,895,096</u></u>	9.77%

The City's total revenues were \$3,171,803 at June 30, 2021. The Net Position increased by \$1,758,395

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$3,171,148 in FY2020-21. Governmental fund balances totaled \$3,453,766 at June 30, 2021. A summary of changes in governmental fund balances follows:

	June 30, 2020	June 30, 2021	Change
General Fund	\$2,033,040	\$2,248,929	11%
Street Fund	275,618	628,283	128%
Transportation Development Fund	709,882	461,024	-35%
Parks SDC Fund	146,116	115,530	-21%
Total	<u><u>\$3,164,656</u></u>	<u><u>\$3,453,766</u></u>	9%

## **BUDGETARY HIGHLIGHTS**

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

Total net change for all governmental fund types during the year was an increase of \$461,886 before accounting for a prior period adjustment that established an allowance for doubtful accounts at the beginning of the fiscal year; the total net change in fund balances including the prior period adjustment was \$289,110.

## **CAPITAL ASSETS**

At June 30, 2021, the City had total net capital assets of \$16,815,205. 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 116<sup>th</sup> Avenue, King City, Oregon 97224-2693.

**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, 2021**

**ASSETS:**

Cash and Investments	\$ 3,128,376
Property Taxes Receivable	18,632
Accounts Receivable	364,983
Prepaid Expenses	37,344
Net OPEB Asset (PERS RHIA)	2,365
Capital Assets, not being depreciated	11,901,120
Capital Assets, net of depreciation	<u>4,914,085</u>
Total Assets	20,366,905

**DEFERRED OUTFLOWS OF RESOURCES:**

Pension Related Deferrals - PERS	440,975
Pension Related Deferrals - OPEB PERS RHIA	3,220
OPEB Related Deferrals - Health Insurance	<u>2,110</u>
Total Assets and Deferred Outflows of Resources	<u>20,813,210</u>

**Current Liabilities**

Accounts Payable	72,614
Payroll Liabilities	1,577
Unearned Revenue	4,302
Accrued Interest	28,646
Long-Term Obligations Due in One Year	34,958

**Long-Term Liabilities**

Long-Term Obligations Due After One Year	1,537,212
Net Pension Liability - PERS	1,010,128
Net OPEB Liability - Health Insurance	45,178
Vested Compensated Absences	<u>46,752</u>

Total Liabilities	2,781,367
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**DEFERRED INFLOWS OF RESOURCES:**

Pension Related Deferrals - PERS	110,492
Pension Related Deferrals - OPEB PERS RHIA	500
OPEB Related Deferrals - Health Insurance	<u>25,755</u>

Total Liabilities and Deferred Inflows of Resources	<u>2,918,114</u>
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**NET POSITION:**

Net Investment in Capital Assets	15,243,035
Restricted - Transportation Development Tax	461,024
Restricted - RHIA Asset	2,365
Unrestricted	<u>2,188,672</u>
Total Net Position	<u>\$ 17,895,096</u>

See accompanying notes to basic financial statements

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

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021**

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANT AND CONTRIBUTIONS	
General Government	\$ 690,141	\$ 518,459	\$ 326,890	\$ 155,208
Street	116,522	63,473	-	(53,049)
Police	578,099	118,715	-	(459,384)
Debt Service	28,646	-	-	(28,646)
Total Governmental Activities	<u>\$ 1,413,408</u>	<u>\$ 700,647</u>	<u>\$ 326,890</u>	<u>(385,871)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	1,186,698
Other Local Revenues	920,097
Interest and Investment Earnings	23,838
Miscellaneous	13,633

Total General Revenues	<u>2,144,266</u>
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Changes in Net Position	1,758,395
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Net Position – Beginning (Restated)	<u>16,136,701</u>
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Net Position – Ending	<u>\$ 17,895,096</u>
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See accompanying notes to basic financial statements

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2021**

	GENERAL FUND	STREET FUND	TRANSPORTATION DEVELOPMENT TAX FUND	LOCAL OPTION LEVY FUND	PARKS SDC FUND	TOTAL
<b>ASSETS:</b>						
Cash and Investments	\$ 3,128,376	\$ -	\$ -	\$ -	\$ -	\$ 3,128,376
Taxes Receivable	18,632	-	-	-	-	18,632
Accounts Receivable	364,983	-	-	-	-	364,983
Prepaid Expenses	37,344	-	-	-	-	37,344
Due From Other Funds	-	628,283	461,024	-	115,530	1,204,837
<b>Total Assets</b>	<b>\$ 3,549,335</b>	<b>\$ 628,283</b>	<b>\$ 461,024</b>	<b>\$ -</b>	<b>\$ 115,530</b>	<b>\$ 4,754,172</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:</b>						
<b>LIABILITIES:</b>						
Due to Other Funds	\$ 1,204,837	\$ -	\$ -	\$ -	\$ -	\$ 1,204,837
Payroll Payable	1,577	-	-	-	-	1,577
Accounts Payable	72,614	-	-	-	-	72,614
<b>Total Liabilities</b>	<b>1,279,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,279,028</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unearned Revenue - Taxes	17,076	-	-	-	-	17,076
Unearned Revenue - Other	4,302	-	-	-	-	4,302
<b>Total Deferred Inflows of Resources</b>	<b>21,378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,378</b>
<b>FUND BALANCE:</b>						
<b>Fund Balances:</b>						
Nonspendable	37,344	-	-	-	-	37,344
Restricted	-	-	461,024	-	-	461,024
Committed	-	628,283	-	-	115,530	743,813
Unassigned	2,211,585	-	-	-	-	2,211,585
<b>Total Fund Balances</b>	<b>2,248,929</b>	<b>628,283</b>	<b>461,024</b>	<b>-</b>	<b>115,530</b>	<b>3,453,766</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 3,549,335</b>	<b>\$ 628,283</b>	<b>\$ 461,024</b>	<b>\$ -</b>	<b>\$ 115,530</b>	<b>\$ 4,754,172</b>

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, 2021**

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Total Fund Balances - Governmental Funds	\$ 3,453,766
Capital assets are not financial resources and therefore are not reported in the governmental funds.	16,815,205
The Net PERS Pension and OPEB assets (liabilities) is the difference between the total pension/OPEB liabilities and the assets set aside to pay benefits earned to past and current employees and beneficiaries.	
Net PERS Pension Liability	(1,010,128)
Net OPEB Asset (PERS RHIA)	2,365
Net OPEB Liability (Health Insurance)	(45,178)
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.	
Long Term Obligations	(1,572,170)
Accrued Interest Payable	(28,646)
Vested compensated absences are not accounted for in the governmental funds.	(46,752)
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.	17,076
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)	440,975
Deferred Outflows (OPEB - PERS RHIA)	3,220
Deferred Outflows (OPEB - Health Insurance)	2,110
Deferred Inflows (PERS)	(110,492)
Deferred Inflows (OPEB - PERS RHIA)	(500)
Deferred Inflows (OPEB - Health Insurance)	(25,755)
Net Position	\$ <u>17,895,096</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, 2021**

	GENERAL FUND	STREET FUND	TRANSPORTATION DEVELOPMENT TAX FUND	LOCAL OPTION LEVY FUND	PARKS SDC FUND	TOTAL
<b>REVENUES:</b>						
Property Taxes	\$ 838,160	\$ -	\$ -	\$ 347,883	\$ -	\$ 1,186,043
City Franchise Fees	259,038	-	-	-	-	259,038
Alcoholic Beverage Tax	72,161	-	-	-	-	72,161
Cigarette Tax	4,052	-	-	-	-	4,052
County Vehicle Registration Tax	74,276	-	-	-	-	74,276
Marijuana Tax	255,437	-	-	-	-	255,437
Motel Tax	31,398	-	-	-	-	31,398
State Gas Tax	-	312,455	-	-	-	312,455
Washington Co. Gas Tax	-	12,532	-	-	-	12,532
City Privilege Tax	-	47,387	-	-	-	47,387
State Revenue Sharing	54,576	-	-	-	-	54,576
Bike Path	-	3,156	-	-	-	3,156
Grants	279,557	100,000	-	-	47,333	426,890
Court Fines	184,344	-	-	-	-	184,344
Licenses/Permits/Fees	55,563	-	-	-	-	55,563
OR State Surcharge	2,570	-	-	-	-	2,570
New Development Review Fees	1,300	-	-	-	-	1,300
Passport Fees	68,040	-	-	-	-	68,040
Interest on Investments	14,865	3,767	3,815	355	1,036	23,838
System Developmental Charges	-	-	-	-	-	-
Water Revenue	84,615	-	-	-	-	84,615
CWS/Surface Water Mgmt Fees	-	63,473	-	-	-	63,473
Miscellaneous	3,633	-	-	-	10,000	13,633
Allowance for Doubtful Accounts	(65,629)	-	-	-	-	(65,629)
<b>Total Revenues</b>	<b>2,217,956</b>	<b>542,770</b>	<b>3,815</b>	<b>348,238</b>	<b>58,369</b>	<b>3,171,148</b>
<b>EXPENDITURES:</b>						
Personal Services	1,415,675	97,009	-	-	-	1,512,684
Materials & Services	785,608	106,292	-	-	-	891,900
Capital Outlay	64,481	171,242	-	-	68,955	304,678
Debt Service	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,265,764</b>	<b>374,543</b>	<b>-</b>	<b>-</b>	<b>68,955</b>	<b>2,709,262</b>
Excess of Revenues Over, (Under) Expenditures	(47,808)	168,227	3,815	348,238	(10,586)	461,886
<b>Other Financing Sources, (Uses)</b>						
Transfers In	436,473	-	-	-	-	436,473
Transfer Out	-	(20,235)	(48,000)	(348,238)	(20,000)	(436,473)
Debt Proceeds	-	-	-	-	-	-
<b>Total Other Financing Sources, (Uses)</b>	<b>436,473</b>	<b>(20,235)</b>	<b>(48,000)</b>	<b>(348,238)</b>	<b>(20,000)</b>	<b>-</b>
Net Change in Fund Balance	388,665	147,992	(44,185)	-	(30,586)	461,886
Prior Period Adjustment	-	204,673	(204,673)	-	-	-
Beginning Fund Balance - Restated	1,860,264	275,618	709,882	-	146,116	2,991,880
Ending Fund Balance and Reserve for Future Expenditure	<u>\$ 2,248,929</u>	<u>\$ 628,283</u>	<u>\$ 461,024</u>	<u>\$ -</u>	<u>\$ 115,530</u>	<u>\$ 3,453,766</u>

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, 2021**

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Net Changes in Fund Balances - Governmental Funds	\$ 461,886
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.	(6,575)
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.	655
In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expenditure when due.	
Change in Accrued Interest Payable	(28,646)
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	1,628,748
Depreciation Expense	(182,192)
The PERS pension expense and OPEB expense (income) represents the changes in net PERS pension/OPEB assets (liabilities) from year to year due to changes in the total pension/OPEB liabilities and the fair value of pension/OPEB plan net position available to pay pension/OPEB benefits.	
Change in Net PERS Pension Liability	(110,336)
Change in Net OPEB PERS RHIA	(793)
Change in Net OPEB Liability (Health Insurance)	(4,352)
	<hr/>
Change in Net Position	\$ 1,758,395

See accompanying notes to basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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**

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**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 and OPEB 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**

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**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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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 and OPEB 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 during the current fiscal year, except the Street Fund Personnel Services which was overexpended by \$3,009.

**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. Management believes collection of delinquent accounts receivable (greater than 365 days) is doubtful; consequently, an allowance for doubtful accounts has been established so accounts receivable reflects the amount expected to be collected.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. ACCOUNTS RECEIVABLE (CONTINUED)**

Amounts will be written off when collection efforts are unsuccessful and it is fairly certain that the amount will not be collected. At June 30, 2021 there was a \$238,405 balance in the allowance for doubtful accounts for citations that were sent to collections; of this amount, \$126,561 was 1 year old, \$27,883 was 5 years old, and \$83,961 was 10 years old.

**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
Road and Infrastructure	50 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**

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**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 2020-2021.

**O. PREPAID EXPENSES**

Payments made to vendors for services that will benefit periods beyond June 30, 2021 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, 2021, there were deferred outflows representing PERS pension related deferrals and OPEB related deferrals for PERS RHIA and Health Insurance 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, 2021, the City has two types of items which qualify for reporting in this category. The first of this category is unavailable revenue reported in the governmental funds balance sheet for property taxes and the other is business license renewal. 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 representing PERS pension related deferrals and OPEB related deferrals for PERS RHIA and 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)

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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).

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.

**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, 2021 was \$124,107, 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, 2021, 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

Investments are stated at book value which 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 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, 2021 (recorded at fair value) consisted of:

Deposits With Financial Institutions:	
Petty Cash	\$ 150
Demand Deposits:	
Checking	67,033
Investments	<u>3,061,193</u>
Total	<u>\$ 3,128,376</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	18-59
State Treasurer's Investment Pool	\$ 3,061,193	\$ 3,061,193	\$ -	\$ -
Total	<u>\$ 3,061,193</u>	<u>\$ 3,061,193</u>	<u>\$ -</u>	<u>\$ -</u>

**Concentration of Credit Risk – Investments**

At June 30, 2021, 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, 2021, 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>7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2021</u>
Governmental Activities:				
Non-Depreciable Capital Assets				
Infrastructure	\$ 11,901,120	\$ -	\$ -	\$ 11,901,120
Total Non-Depreciable Capital Assets	11,901,120	-	-	11,901,120
Depreciable Capital Assets				
Infrastructure	1,875,513	1,599,033	-	3,474,546
Buildings & Improvements	1,705,913	4,160	-	1,710,073
Equipment	558,511	25,555	-	584,066
Total Depreciable Capital Assets	4,139,937	1,628,748	-	5,768,685
Accumulated Depreciation				
Infrastructure and Improvements	96,376	95,593	-	191,969
Buildings and Improvements	232,146	34,135	-	266,281
Equipment	343,886	52,464	-	396,350
Total	672,408	\$ 182,192	\$ -	854,600
Net Depreciable Capital Assets	<u>3,467,529</u>			<u>4,914,085</u>
Total Net Capital Assets	<u>\$ 15,368,649</u>			<u>\$ 16,815,205</u>

Depreciation expense for the year was charged as follows:

Governmental Activities:	
General Government	\$ 90,365
Street	15,404
Police	76,423
Total Depreciation Expense	<u>\$ 182,192</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. LONG TERM OBLIGATIONS**

The City has a loan with the State of Oregon through its Oregon Infrastructure Finance Authority of the Business Development Department ("OBDD"), for the amount of \$1,572,170. The interest rate for this loan is 2.25% per annum. Pursuant to the design plans, this loan will be used to construct improvements to the current city hall and will reach maturity in 3 years plus 90 days after the Contract date, June 13, 2022. In the event of default, OBDD may declare all payments under the contract and all other amounts due under any of the Financing Documents immediately due and payable. In February 2021 the loan was refunded and the refunding resulted in a lower principal balance as a result of a premium paid for a higher interest rate. The stated interest rates on the new promissory note is 5% from 2022-2041 and 3% from 2042-2046 but the all in true interest cost is 2.48% on account of the premium received. Now the principal balance of the loan is \$1,314,684 and the premium to be amortized over the term of the loan is \$257,486. The obligation is as follows:

	<u>Original Issue</u>	<u>Outstanding July 1, 2020</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2021</u>	<u>Due Within One Year</u>
2019 City Loan	\$ 1,572,170	\$ 1,572,170	\$ -	\$ 1,572,170	\$ -	\$ -
2021 City Loan	1,314,684		1,314,684	-	1,314,684	24,659
		<u>1,572,170</u>	<u>1,314,684</u>	<u>1,572,170</u>	<u>1,314,684</u>	<u>24,659</u>
Premium	257,486		257,486		257,486	10,299
		<u>\$ 1,572,170</u>	<u>\$ 1,572,170</u>	<u>\$ 1,572,170</u>	<u>\$ 1,572,170</u>	<u>\$ 34,958</u>

Future payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 24,659	\$ 49,554
2023	29,892	56,689
2024	30,137	65,194
2025	30,393	53,687
2026	35,663	52,168
2027-31	197,856	233,046
2032-36	251,934	178,220
2037-41	323,520	108,633
2042-46	390,630	35,873
Total	<u>\$ 1,314,684</u>	<u>\$ 833,063</u>

Future premium amortization is as follows:

<u>Year Ending</u>	<u>Premium Amortization</u>
2022	\$ 10,299
2023	10,299
2024	10,299
2025	10,299
2026	10,299
2027-31	51,497
2032-36	51,497
2037-41	51,497
2042-46	51,497
Total	<u>\$ 257,486</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-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.
  - 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 their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

**CITY OF KING CITY  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- 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.
- 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. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
- 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.

**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, 2017 actuarial valuation, which became effective July 1, 2019. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Effective January 1, 2020, Senate Bill 1049 requires employees to pay contributions on re-employed PERS retirees' salaries as if they were an active member, excluding IAP (6%) contributions. Employer contributions for the year ended June 30, 2021 were \$124,878, excluding amounts to fund employer specific liabilities. In addition approximately \$31,266 in employee contributions were paid or picked up by the City in fiscal 2020-21.

**Pension Asset or Liability** – At June 30, 2021, the City reported a net pension liability of \$1,010,128 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2018. 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 date of June 30, 2020 and 2019, the City's proportion was .005 percent and .005 percent, respectively. Pension expense for the year ended June 30, 2021 was \$110,336.

**CITY OF KING CITY  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The rates in effect for the year ended June 30, 2021 were:

- (1) Tier 1/Tier 2 –28.42%
- (2) OPSRP general services – 16.03%
- (3) OPSRP police and fire – 20.66%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 44,458	\$ -
Changes in assumptions	54,210	1,899
Net difference between projected and actual earnings on pension plan investments	118,778	-
Net changes in proportionate share	91,060	97,592
Differences between City contributions and proportionate share of contributions	7,591	11,001
Subtotal - Amortized Deferrals (below)	316,097	110,492
City contributions subsequent to measuring date	124,878	-
Deferred outflow (inflow) of resources	<u>\$ 440,975</u>	<u>\$ 110,492</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, 2022.

Subtotal amounts related to pension as deferred outflows of resources, \$316,097, and deferred inflows of resources, (\$110,492), net to \$205,605 and will be recognized in pension expense as follows:

Year ending June 30,	Amount
2021	\$ 51,853
2022	63,420
2023	65,100
2024	29,492
2025	(4,260)
Total	<u>\$ 205,605</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 12, 2021. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>

**Actuarial Valuations** – The employer contribution rates effective July 1, 2019 through June 30, 2021, 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.

**CITY OF KING CITY  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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 necessary 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, 2018
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	<p>Healthy retirees and beneficiaries:</p> <p>Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

**Assumed Asset Allocation:**

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Investments	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			100.0%

(Source: June 30, 2020 PERS CAFR; p. 102)

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Long-Term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Compound Annual (Geometric) Return</b>
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	0.38%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		2.50%

*(Source: June 30, 2020 PERS CAFR; p. 74)*

**Discount Rate** – The discount rate used to measure the total pension liability as of the measurement dates of June 30, 2020 and 2019 was 7.20 percent for both years 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.

**CITY OF KING CITY  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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 7.20 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 one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate.

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
District's proportionate share of the net pension liability	\$ 1,499,957	\$ 1,010,128	\$ 599,384

**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. There are no changes subsequent to the June 30, 2020 Measurement Date that meet this requirement.

**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  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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. Effective July 1, 2020, currently employed Tier 1/Tier 2 and OPSERP members earning \$2,500 or more per month will have a portion of their 6 percent monthly IAP contributions redirected to an Employee Pension Stability Account. The Employee Pension Stability Account will be used to pay part of the member's future benefit. Of the 6 percent monthly IAP contribution, Tier 1/Tier 2 will have 2.5 percent redirected to the Employee Pension Stability Account and OPSERP will have 0.75 percent redirected to the Employee Pension Stability Account, with the remaining going to the member's existing IAP account. Members may voluntarily choose to make additional after-tax contributions into their IAP account to make a full 6 percent contribution to the IAP. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2021.

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  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the City currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2021. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The City's contributions to RHIA for the years ended June 30, 2019, 2020 and 2021 were \$1,951, \$83, and \$125, respectively, which equaled the required contributions each year. These amounts are combined and presented with the City's contributions to PERS in the Required Supplementary Information PERS Schedule of Contributions on Page 37.

At June 30, 2021, the City reported a net OPEB liability/(asset) of (\$2,365) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2020, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2018. Consistent with GASB Statement No. 75, paragraph 59(a), the City's proportion of the net OPEB liability/(asset) is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement dates of June 30, 2020 and 2019, the City's proportion was .001 and .004 percent, respectively. OPEB expense/(income) for the year ended June 30, 2021 was \$793.

**Components of OPEB Expense/(Income):**

Employer's Proportionate share of collective system OPEB Expense/(Income)	\$ (380)
Net amortization of employer-specific deferred amounts from:	
- Changes in proportionate share (per paragraph 64 of GASB 75)	1,372
- Difference between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of Gabs 75)	
Employer's total OPEB Expense/(Income)	<u><u>\$ 992</u></u>

**Components of Deferred Outflows/Inflows of Resources:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expended and actual experience	\$ -	\$ 242
Changes of Assumptions	-	126
Net difference between project and actual earning on investments	263	-
Changes in proportionate share	2,832	132
Difference between employer contributions and employer's proportionate share of system contributions	-	-
Subtotal - Amortized Deferrals (below)	<u>3,095</u>	<u>500</u>
Contributions subsequent to measurement date	<u>125</u>	<u>-</u>
Deferred outflow (inflow) of resources	<u><u>3,220</u></u>	<u><u>500</u></u>

**CITY OF KING CITY  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the fiscal year ended June 30, 2022.

Subtotal amounts related to OPEB as deferred outflows of resources, \$3,095, and deferred inflows of resources, (\$500), net to \$2,595 and will be recognized in OPEB expense as follows:

Year ending June 30,	Amount
2022	\$ 1,135
2023	1,280
2024	97
2025	83
2026	-
Total	<u>2,595</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2020. That independently audited report was dated March 12, 2021 and can be found at: [https://www.oregon.gov/pers/EMP/Documents/GASB/2020/GASB\\_75\\_FYE\\_6.30.2020.pdf](https://www.oregon.gov/pers/EMP/Documents/GASB/2020/GASB_75_FYE_6.30.2020.pdf)

**Actuarial Methods and Assumptions:**

Valuation Date	December 31, 2018
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Retiree healthcare participation	Healthy retirees: 32%; Disabled retirees: 20%
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Discount Rate:**

The discount rate used to measure the total OPEB liability as of the measurement dates of June 30, 2020 and 2019 was 7.20 and 7.20 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Long-Term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Compound Annual (Geometric) Return</b>
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	38.00%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2020 PERS CAFR; p. 74)

**CITY OF KING CITY  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Sensitivity of the City's proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the City's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.20 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 one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
School's Proportionate share of the net OPEB liability (Asset)	\$ (1,909)	\$ (2,365)	\$ (2,755)

**Changes Subsequent to the Measurement Date**

There are no changes subsequent to the June 30, 2020 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

**7. OTHER QUALIFIED PLAN (401k)**

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 \$122,872.

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 PLAN (457)**

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; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. OTHER POST EMPLOYMENT BENEFITS (HEALTH CARE)**

**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.

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 35.

Actuarial Methods and Assumptions – The Total OPEB Liability for the current year was determined as part of the July 1, 2020 actuarial valuation using the entry age actuarial cost 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 3.50% compounded annually; (b) no future increase in benefit payable from this program; (c) a general inflation rate of 2.21% per year, and (d) no post-retirement benefit increases and a payroll increase of 3.5%. 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 1, 2021, the plan was 0% funded. The actuarial accrued liability for benefits was \$45,178, and the actuarial value of assets was \$0. There is no estimated covered payroll.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**9. OTHER POST EMPLOYMENT BENEFITS (HEALTH CARE) (CONTINUED)**

As of the July 1, 2020 valuation date, the following employees were covered by the benefit terms:

**Total OPEB Liability**

Participant Counts	Total
Number of Active Participants	11
Number of Retired Participants	0
Total Number of Participants	<u>11</u>

The City's total OPEB liability of \$45,178 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

**Actuarial Assumptions and Other Inputs**

The City's total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

**Actuarial assumptions**

Valuation date	July 1, 2020 rolled forward to June 30, 2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	2.21% based on Bond Buyer 20-Year General Obligation Bond Index.
Health Care Cost Trend	Long-term healthcare trend rates are based on Society of Actuaries' Getzen Trend Model and affect both costs and premiums; 5.25% increase in 2022; 5.00% increase per year from 2023-2025; average 4.72% increase per year thereafter.
General Inflation rate	2.5% per year, used to develop other economic assumptions.
Annual Pay Increases	3.5% per year, based on general inflation and the likelihood of raises throughout participants' careers.
Election Rate (Future Retiree Coverage)	40% of eligible employees. 60% of male members and 35% of female members will elect spousal coverage.
Lapse Rate	Retirees for whom the Employer will never pay any portion of the health care premiums are assumed to have a 5% probability of lapsing (dropping) coverage per year.
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees.

**Changes since prior valuation:**

Changes since prior valuation:

Expected Claims and Premiums	Updated to reflect changes in available benefits and premium levels. If applicable, expected retiree and dependent costs were updated to reflect current health cost guidelines.
Health Care Cost Trend	Trend was updated to reflect changes in current premium levels, as well as future expected economic and regulatory conditions.
Mortality, Withdrawal, and Retirement Rates	Updated to reflect assumptions used in the Oregon PERS December 31, 2019 actuarial valuation.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**9. OTHER POST EMPLOYMENT BENEFITS (HEALTH CARE) (CONTINUED)**

**Changes in Total OPEB Liability**

Total OPEB Liability at June 30, 2020	\$ 42,454
Changes for the year:	
Service Cost	5,954
Interest on total OPEB liability	1,601
Changes of benefit terms	-
Differences between expected and actual experience	(351)
Changes of assumptions or other input	887
Benefit payments	<u>(5,367)</u>
Net changes in OPEB Liability	<u>2,724</u>
Total OPEB Liability at June 30, 2021	<u><u>\$ 45,178</u></u>

**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 (2.5%)	Current Discount Rate (3.5%)	1% Higher (4.5%)
Total OPEB Liability	\$ 50,365	\$ 45,178	\$ 40,401

**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	\$ 37,577	\$ 45,178	\$ 54,454

**OPEB Expense and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the City recognized OPEB expense/(income) of \$4,352 in the government wide Statement of Activities. At June 30, 2021, the City reported deferred inflows and outflows of resources relating to the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ (12,756)	\$ -
Changes of assumptions or other inputs	<u>(12,999)</u>	<u>2,104</u>
Subtotal	(25,755)	2,104
Benefit Payments	-	6
Total	<u><u>\$ (25,755)</u></u>	<u><u>\$ 2,110</u></u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**9. OTHER POST EMPLOYMENT BENEFITS (HEALTH CARE) (CONTINUED)**

Amounts reported as deferred outflows of resources \$2,104 and deferred inflows of resources (\$25,755) net to (\$23,651) and will be recognized in OPEB expense as follows.

Fiscal Year Ending June 30,	Deferred Outflow (Inflow) Recognized in Pension Expense
2021	\$ (3,197)
2022	(3,197)
2023	(3,197)
2024	(3,197)
2025	(3,197)
Thereafter	(7,666)
Total	<u>\$ (23,651)</u>

**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 districts, and education service districts. 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 districts 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:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 1,204,837
Street Fund	628,283	-
Transportation Development Tax Fund	461,024	-
Parks SDC Fund	115,530	-
	<u>\$ 1,204,837</u>	<u>\$ 1,204,837</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**12. INTERFUND TRANSFERS**

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 436,473
Street Fund	20,235	-
Transportation Development Tax Fund	48,000	-
Local Option Levy Fund	348,238	-
Parks SDC Fund	20,000	-
	<u>\$ 436,473</u>	<u>\$ 436,473</u>

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

**13. TAX ABATEMENTS**

As of June 30, 2021, the 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, 2021 for any program covered under GASB 77.

**14. 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.

**15. CONTINGENCIES**

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. The ultimate impact on the School's finances is not determinable.

**16. PRIOR PERIOD ADJUSTMENT**

There was a Prior Period Adjustment for the year ended June 30, 2021 that reclassified \$204,673 in beginning fund balance from the Transportation Development Tax Fund to the Street Fund; the reclassification corrects an error in which capital expenditures were incorrectly recorded in the Street Fund during fiscal 2017-18.

**17. RESTATEMENT**

Due to the current actuarial valuation of the City's RHIA benefits for GASB Statement No. 75, a restatement of the prior year net position was required to record the OPEB – RHIA asset at the prior measurement date. In addition, the City also implemented a new policy to recognize an Allowance for Doubtful Accounts; as a result, the City has adjusted its beginning fund balance and net position for the portion of the allowance related to balances over 780 days old (3 years).

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**17. RESTATEMENT (CONTINUED)**

**STATEMENT OF ACTIVITIES**

Net Position - Beginning as previously reported	\$ 16,303,599
Addition of Net OPEB Asset (PERS RHIA) at prior measurement date	5,878
Adjustment of Allowance for Doubtful Accounts	<u>(172,776)</u>
Net Position - Beginning as Restated	<u><u>\$ 16,136,701</u></u>

**GOVERNMENTAL FUNDS**

Governmental Funds - Beginning Fund Balance	\$ 3,164,656
Governmental Funds - Prior Period Adjustment (Adjustment of Allowance for Doubtful Accounts)	<u>(172,776)</u>
Governmental Funds - Beginning Fund Balance (Restated)	<u><u>\$ 2,991,880</u></u>

**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, 2021**

**PLAN (OPEB): (Health Insurance)**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

<u>Year Ended June 30,</u>	<u>Total OPEB Liability - Beginning</u>	<u>Service Cost</u>	<u>Interest</u>	<u>Changes of Benefit Terms</u>	<u>Changes of Assumptions</u>	<u>Differences Between Expected and Actual</u>	<u>Benefit Payments</u>	<u>Total OPEB Liability - End of Year</u>	<u>Estimated Covered Payroll</u>	<u>Total OPEB Liability as a % of Covered Payroll</u>
2021	\$ 42,454	\$5,954	\$1,601	\$ -	\$ 887	\$ (351)	\$ (5,367)	\$ 45,178	N/A	N/A
2020	47,711	5,339	1,785	-	1,587	-	(13,968)	42,454	N/A	N/A
2019	85,089	6,135	3,009	-	(14,787)	(17,279)	(14,456)	47,711	N/A	N/A
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.

CITY OF KING CITY  
WASHINGTON COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

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
2021	0.0046 %	\$ 1,010,128	\$ 448,708	225.1 %	75.8 %
2020	0.0052	903,269	418,692	215.7	80.2
2019	0.0040	612,925	352,409	173.9	82.1
2018	0.0047	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

Year Ended June 30,	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
2021	\$ 124,878	\$ 124,878	\$ -	\$ 521,105	24.0 %
2020	103,439	103,439	-	448,708	23.1
2019	80,652	80,652	-	418,692	19.3
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

REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2021

PERS OPEB RHIA

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET FOR RHIA

Year Ended June 30,	(a) Employer's proportion of the net OPEB asset (NOA)	(b) Employer's proportionate share of the net OPEB asset (NOA)	(c) Employer's covered payroll	(b/c) NOA as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB asset
2021	0.0012 %	\$ 2,365	\$ 448,708	0.527 %	150.1 %
2020	0.0039	7,606	418,692	1.817	144.4
2019	0.0035	3,881	352,409	1.101	124.0
2018	0.0036	1,505	357,392	0.421	108.9

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

Year Ended June 30,	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
2021	\$ N/A	\$ N/A	\$ -	\$ 521,105	- %
2020	N/A	N/A	-	448,708	-
2019	N/A	N/A	-	418,692	-
2018	N/A	N/A	-	352,409	-

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.

All statutorily required contributions were made and are included within PERS contributions (see p. 35).

**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, 2021**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Property Taxes - Current	\$ 820,000	\$ 820,000	\$ 826,636	\$ 6,636
Property Taxes - Delinquent	20,000	20,000	11,524	(8,476)
Franchise Fees	250,000	218,600	259,038	40,438
County Vehicle Registration Tax	-	-	74,276	74,276
Taxes- Liquor/Cigarette/Motel/Marijuana	304,800	354,560	363,048	8,488
State Revenue Sharing	40,000	40,000	54,576	14,576
Grants	345,295	467,938	279,557	(188,381)
Court Fines	80,000	31,000	184,344	153,344
Licenses, Fees & Building Permits	65,000	65,000	55,563	(9,437)
Metro Excise Tax	3,000	3,000	-	(3,000)
School C.E.T.	30,000	30,000	-	(30,000)
OR State Surcharge (12%)	3,000	3,000	2,570	(430)
New Development Review	12,000	12,000	1,300	(10,700)
Passport Fees	60,000	30,000	68,040	38,040
Interest on Investments	35,000	35,000	14,865	(20,135)
Water Franchise Fees (5%)	90,000	90,000	84,615	(5,385)
Miscellaneous	1,000	1,000	3,633	2,633
Allowance for Doubtful Accounts	-	(250,000)	(65,629)	184,371
Total Revenues	<u>\$ 2,159,095</u>	<u>\$ 1,971,098</u>	<u>\$ 2,217,956</u>	<u>\$ 246,858</u>

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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, 2021**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
City Council				
Materials and Services	\$ 84,160	\$ 84,160	\$ 27,874	\$ 56,286
Capital Outlay	-	12,000	-	12,000
Total City Council	84,160	96,160 (1)	27,874	68,286
Administration Department				
Personnel Services	622,975	539,725	540,861	(1,136)
Materials and Services	702,498	795,098	623,914	171,184
Capital Outlay	6,000	14,400	15,813	(1,413)
Total Administration	1,331,473	1,349,223 (1)	1,180,588	168,635
Police Department				
Personnel Services	923,325	925,575	874,814	50,761
Materials and Services	195,830	205,273	133,820	71,453
Capital Outlay	28,000	49,600	48,668	932
Total Police Department	1,147,155	1,180,448 (1)	1,057,302	123,146
General Services				
Debt Service	100,000	100,000 (1)	-	100,000
Contingency	600,000	600,000 (1)	-	600,000
Total General Services	700,000	700,000	-	700,000
Total Expenditures	3,262,788	3,325,831	2,265,764	1,060,067
Excess of Revenues Over, (Under) Expenditures	(1,103,693)	(1,354,733)	(47,808)	1,306,925
Other Financing Sources, (Uses):				
Transfers In	436,735	436,735	436,473	(262)
Total Other Financing Sources, (Uses)	436,735	436,735	436,473	(262)
Net Change in Fund Balance	(666,958)	(917,998)	388,665	1,306,663
Prior Period Adjustment	-	-	(172,776)	(172,776)
Beginning Fund Balance	1,700,000	2,033,040	2,033,040	-
Reserve for Future Expenditure	\$ 1,033,042	\$ 1,115,042	\$ 2,248,929	\$ 1,133,887

(1) Appropriation Level  
Continued from page - 37 -

**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, 2021**

	<u>STREET FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
State Gas Tax	\$ 270,000	\$ 270,000	\$ 312,455	\$ 42,455
Washington County Gas Tax	14,000	14,000	12,532	(1,468)
Privilege Tax (1.5%)	38,000	38,000	47,387	9,387
Bike Path	2,500	2,500	3,156	656
Interest on Investments	5,500	5,500	3,767	(1,733)
Special City Allotment	100,000	100,000	100,000	-
CWS/SWM Fees	60,000	60,000	63,473	3,473
Miscellaneous	500	500	-	(500)
Total Revenues	<u>490,500</u>	<u>490,500</u>	<u>542,770</u>	<u>52,270</u>
EXPENDITURES:				
Personnel Services	-	94,000 (1)	97,009	(3,009)
Materials and Services	145,819	145,819 (1)	106,292	39,527
Capital Outlay	101,000	212,000 (1)	171,242	40,758
Contingency	283,446	498,446 (1)	-	498,446
Total Expenditures	<u>530,265</u>	<u>950,265</u>	<u>374,543</u>	<u>575,722</u>
Excess of Revenues Over, (Under) Expenditures	(39,765)	(459,765)	168,227	627,992
Other Financing Sources, (Uses): Transfer Out	<u>(20,235)</u>	<u>(20,235) (1)</u>	<u>(20,235)</u>	<u>-</u>
Total Other Sources, (Uses)	<u>(20,235)</u>	<u>(20,235)</u>	<u>(20,235)</u>	<u>-</u>
Net Change in Fund Balance	(60,000)	(480,000)	147,992	627,992
Prior Period Adjustment	-	-	204,673	204,673
Beginning Fund Balance	<u>60,000</u>	<u>480,000</u>	<u>275,618</u>	<u>(204,382)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,283</u>	<u>\$ 628,283</u>

(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, 2021**

TRANSPORTATION DEVELOPMENT TAX FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Traffic Development Tax	\$ 84,580	\$ 84,580	\$ -	\$ (84,580)
Interest On Investments	32,000	32,000	3,815	(28,185)
Total Revenues	116,580	116,580	3,815	(112,765)
EXPENDITURES:				
Contingency	100,000	100,000 (1)	-	100,000
Total Expenditures	100,000	100,000	-	100,000
Excess of Revenues, Over (Under) Expenditures	16,580	16,580	3,815	(12,765)
Other Financing Sources, (Uses):				
Transfer Out	(48,000)	(48,000) (1)	(48,000)	-
Total Other Sources, (Uses)	(48,000)	(48,000)	(48,000)	-
Net Change in Fund Balance	(31,420)	(31,420)	(44,185)	(12,765)
Prior Period Adjustment	-	-	(204,673)	(204,673)
Beginning Fund Balance	1,084,000	1,084,000	709,882	(374,118)
Reserve for Future Expenditure	\$ 1,052,580	\$ 1,052,580	\$ 461,024	\$ (591,556)

(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, 2021**

LOCAL OPTION LEVY FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest On Investments	\$ 500	\$ 500	\$ 355	\$ (145)
Property Delinquent	8,000	8,000	4,137	(3,863)
Serial Levy	<u>340,000</u>	<u>340,000</u>	<u>343,746</u>	<u>3,746</u>
Total Revenues	<u>348,500</u>	<u>348,500</u>	<u>348,238</u>	<u>(262)</u>
EXPENDITURES:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over, (Under) Expenditures	348,500	348,500	348,238	(262)
Other Financing Sources, (Uses):				
Transfers Out	<u>(348,500)</u>	<u>(348,500) (1)</u>	<u>(348,238)</u>	<u>262</u>
Total Other Sources, (Uses)	<u>(348,500)</u>	<u>(348,500)</u>	<u>(348,238)</u>	<u>262</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2021**

PARKS SDC FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Interest on Investments	\$ 6,000	\$ 6,000	\$ 1,036	\$ (4,964)
Grants	-	47,000	47,333	333
Developmental Charges	31,950	31,950	-	(31,950)
Miscellaneous	-	-	10,000	10,000
Total Revenues	37,950	84,950	58,369	(26,581)
EXPENDITURES:				
Capital Outlay	20,000	70,000 (1)	68,955	1,045
Contingency	100,000	100,000 (1)	-	100,000
Total Expenditures	120,000	170,000	68,955	101,045
Excess of Revenue Over, (Under) Expenditures	(82,050)	(85,050)	(10,586)	74,464
Other Financing Sources, (Uses):				
Transfers Out	(20,000)	(20,000) (1)	(20,000)	-
Total Other Sources, (Uses)	(20,000)	(20,000)	(20,000)	-
Net Change in Fund Balance	(102,050)	(105,050)	(30,586)	74,464
Beginning Fund Balance	290,000	146,116	146,116	-
Reserve for Future Expenditure	\$ 187,950	\$ 41,066	\$ 115,530	\$ 74,464

(1) Appropriations Level

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2021**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/20</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 6/30/21</u>
<u>General Fund:</u>						
CURRENT:						
2020-21	\$ 1,223,082	\$ 33,211	\$ (3,525)	\$ 385	\$ 1,174,768	\$ 11,963
PRIOR YEARS:						
2019-20	11,647	(2)	(556)	503	7,851	3,745
2018-19	3,987	-	(332)	391	2,342	1,704
2017-18	1,618	-	(293)	281	1,003	603
2016-17	461	-	(115)	97	274	169
Prior	547	-	(79)	68	88	448
Total Prior	18,260	(2)	(1,375)	1,340	11,558	6,669
Total All Funds	\$ 1,241,342	\$ 33,209	\$ (4,900)	\$ 1,725	\$ 1,186,326	\$ 18,632

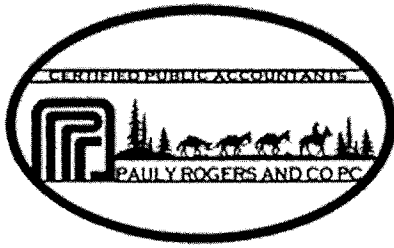
RECONCILIATION OF REVENUE:

	<u>Revenue</u>
Per County Treasurer Above	\$ 1,186,326
Accrual of Receivables:	
June 30, 2020	(1,839)
June 30, 2021	1,556
Change from prior year's Unearned Revenue (see page 6)	655
Total Fund Collections per Financial Statements	<u>\$ 1,186,698</u>

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

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

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www.paulyrogersandcocpas.com

March 1, 2022

### **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, 2021, and have issued our report thereon dated March 1, 2022. 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).**
- **Programs funded by outside sources.**
- **Indebtedness limitations, restrictions and repayment.**

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, except as follows:

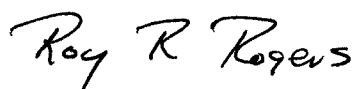
1. Expenditures were within authorized appropriations and except as noted on page 10.
2. Reserve for Future Expenditure cannot be appropriated per Oregon Budget Law but the Reserve for Future Expenditure Line Items in the Line Item Detail Sheets were included as Appropriation Line Items in Resolution R-2020-09 in error.

**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 March 1, 2022.

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" at the beginning.

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