

***CITY OF FALLS CITY  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2020***

**MAYOR AND COUNCIL MEMBERS**

<u><i>Name</i></u>	<u><i>Term Expires</i></u>
<b>Mayor</b>	
Jeremy Gordon	December 31, 2020
<b>Council Members</b>	
Tony Meier	December 31, 2022
Lori Jean Sickles	December 31, 2022
Jenn Drill	December 31, 2022
Cliff Lauder	December 31, 2020
Dennis Sickles	December 31, 2020
T.J. Bailey	December 31, 2020

The above individuals may be contacted at the address below.

***City Manager Pro Tem***  
David Clyne

***City Staff***  
Jamie Ward, City Clerk

City of Falls City  
299 Mill Street  
Falls City, Oregon 97344

**CITY OF FALLS CITY, OREGON**  
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***FINANCIAL SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

[www.gmscpa.com](http://www.gmscpa.com)

(503) 581-7788 • FAX (503) 581-0152

475 Cottage Street NE, Suite 200 • Salem, Oregon 97301-3814

### ***INDEPENDENT AUDITOR'S REPORT***

Honorable Mayor and Members of the City Council  
City of Falls City  
299 Mill Street  
Falls City, Oregon 97344

#### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Falls City, Oregon (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in the notes to the financial statements. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

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

## ***Basis of Accounting***

We draw attention to the notes to financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Report on Supplemental and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis and supplemental information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

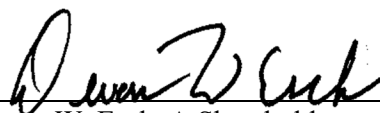
Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 26, 2021, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By: \_\_\_\_\_



Devan W. Esch, A Shareholder

January 26, 2021

CITY OF FALLS CITY, OREGON  
 Management's Discussion and Analysis  
 June 30, 2020

As management of the City of Falls City, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020.

**Financial Highlights**

	June 30,		change
	2020	2019	
Net position	\$ 1,494,020	\$ 1,364,971	\$ 129,049
Change in net position	129,049	74,864	54,185
Governmental net position	886,813	669,941	216,872
Proprietary net position	607,207	695,030	(87,823)
Change in governmental net position	216,872	84,179	132,693
Change in proprietary net position	(87,823)	(9,315)	(78,508)

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

*The Statement of Net Position (Modified Cash Basis).* This presents information on the assets and liabilities of the City as of the date on the statement utilizing the modified cash basis of accounting. Net position is the difference between the assets and liabilities recorded using the modified cash basis of accounting. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*The Statement of Activities (Modified Cash Basis).* The *statement of activities* presents information showing how the cash basis net position of the City changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce net position in total.

In the government-wide financial statements, the City's basic activities are shown as governmental activities. All basic City government functions are shown here, such as general government, community development, fire service, parks and street. These activities are primarily financed through property taxes and other intergovernmental activities. The business-type activities of the City include utility operations.

**Fund financial statements.** The *fund financial statements* provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. A fund is a grouping of related

accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful in obtaining an understanding of each fund’s activity.

**Proprietary funds.** The City maintains two types of proprietary funds – enterprise and internal service. The City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. The City uses enterprise funds to account for its water and sewer activities. Internal service funds account for activities furnishing goods or services to other units of the government. Internal service funds are reported with governmental activities in the government-wide financial statements.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information*, including the budgetary comparison schedules, the combining nonmajor fund financial statements, and other schedules.

### Government-wide Financial Analysis

**Statement of Net Position.** The Statement of Net Position (Modified Cash Basis) is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$1,494,020 as of June 30, 2020. Overall, the City's financial position increased.

Net position - restricted represent sources that are subject to external restrictions on their use, such as fire service, debt service, or capital projects.

Net position - unrestricted is available for general operations of the City.

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 886,942	\$ 607,207	\$ 1,494,149	\$ 671,560	\$ 695,030	\$ 1,366,590
Liabilities	129	-	129	1,619	-	1,619
Net position:						
Restricted	246,424	61,762	308,186	293,977	63,513	357,490
Unrestricted	640,389	545,445	1,185,834	375,964	631,517	1,007,481
Total Net Position	<u>\$ 886,813</u>	<u>\$ 607,207</u>	<u>\$ 1,494,020</u>	<u>\$ 669,941</u>	<u>\$ 695,030</u>	<u>\$ 1,364,971</u>



**Statement of Activities (Modified Cash Basis).** The City's net position increased by \$129,049 during fiscal 2019-20. This increase is explained in the governmental and business-type activities as follows:

*Governmental activities* - The City's net position increased by \$216,872 from governmental activities. This increase is due mainly to revenues approximately \$154,000 more than expenditures.

*Business-type activities* - The City's net position decreased by \$87,823 from business-type activities. This decrease is mainly due to approximately \$115,000 of anticipated federal grant revenues not received.

	2020			2019		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for service	\$ 112,865	\$ 496,146	\$ 609,011	\$ 39,778	\$ 479,990	\$ 519,768
Operating grants	359,533	154,574	514,107	137,153	61,584	198,737
General revenues						
Property taxes	168,859	-	168,859	164,121	-	164,121
Franchise taxes	53,953	-	53,953	58,478	-	58,478
Intergovernmental	31,081	-	31,081	30,666	-	30,666
Miscellaneous	270,457	31,174	301,631	37,837	186	38,023
<i>Total revenues</i>	<u>996,748</u>	<u>681,894</u>	<u>1,678,642</u>	<u>468,033</u>	<u>541,760</u>	<u>1,009,793</u>
Expenses						
General government	359,065	-	359,065	316,566	-	316,566
Community development	37,315	-	37,315	23,849	-	23,849
Fire service	147,821	-	147,821	28,134	-	28,134
Parks	22,643	-	22,643	8,836	-	8,836
Street	207,964	-	207,964	64,832	-	64,832
Interest on long-term debt	5,068	-	5,068	1,637	-	1,637
Water	-	359,777	359,777	-	292,117	292,117
Sewer	-	409,940	409,940	-	198,958	198,958
<i>Total expenses</i>	<u>779,876</u>	<u>769,717</u>	<u>1,549,593</u>	<u>443,854</u>	<u>491,075</u>	<u>934,929</u>
Transfers	-	-	-	60,000	(60,000)	-
Change in net position	216,872	(87,823)	129,049	84,179	(9,315)	74,864
Net position, beginning of year	669,941	695,030	1,364,971	585,762	704,345	1,290,107
Net position, end of year	<u>\$ 886,813</u>	<u>\$ 607,207</u>	<u>\$ 1,494,020</u>	<u>\$ 669,941</u>	<u>\$ 695,030</u>	<u>\$ 1,364,971</u>

### Financial Analysis of the City's Government Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

## General Fund Budget

There were two supplemental budgets that affected balances in the General fund during the year. The first supplemental budget increased the LEOF grant revenues by \$29,410, decreased cemetery grants and the RARE grant by \$8,000 and \$7,000, respectively, decreased personnel expenditures in fire services by \$3,700 and increased administrative and parks and cemeteries personnel expenditures by \$2,815 and \$885, respectively. The second supplemental budget increased the DLCD Planning, Assistance to Firefighters, and Pacific Power Energy grants by \$1,000, \$83,905 and \$3,000, respectively, reallocated \$5,500 of fire services expenditures, and reduce \$6,500 of transfers out.

## Significant Fund Transactions

**Governmental Funds.** The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

*General Fund.* The General fund is the primary operating fund of the City. The General fund had an increase in fund balance of \$49,366 during the year, which is primarily due to expenditures less than what were budgeted.

As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 89% of total General fund expenditures.

*Street Fund.* The Street fund is used to account for revenues and expenditures of State gas tax and other revenue related to streets. The Street fund had a decrease in fund balance of \$43,988 during the year due to expenditures in excess of revenues and transfers out.

*Polk Community Development Fund.* The Polk Community Development fund had an increase in fund balance of \$171,468 during the fiscal year. The increase was due to loan payments received in excess of loan disbursements.

**Proprietary funds - Enterprise.** The focus of the City's enterprise funds is to provide water and sewer services to customers. As with the governmental funds, net position may serve as a useful measure of net resources available for spending at the end of a fiscal year.

*Sewer Fund.* The Sewer fund is used to account for revenues and expenditures related to the operation of the City's sewer operations. The Sewer fund had a decrease in net position of \$78,137 during the year due mainly to capital outlay expenses for a City housing project.

*Water Fund.* The Water fund is used to account for revenues and expenses related to the operation of the City's water operations. The Water fund had an increase in net position of \$39,271 during the year primarily due to an increase in user fees.

*Utility Reserve Fund.* The Utility Reserve fund is used for major projects in water, wastewater, and as a reserve for grant funds. The Utility Reserve fund had a decrease in net position of \$48,957 during the year due to capital acquisitions.

## Debt Administration

Long-term debt: The City had total revenue-backed bonded debt outstanding of \$805,000 at the end of the current fiscal year, and loans in the amount of \$148,929 outstanding.

The City's total debt decreased by \$59,823 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The City had no outstanding general obligation debt.

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Loans	\$ 148,928	\$ 173,750	\$ -	\$ -	\$ 148,928	\$ 173,750
Revenue bonds	-	-	805,000	840,000	805,000	840,000
<b>Total</b>	<b>\$ 148,928</b>	<b>\$ 173,750</b>	<b>\$ 805,000</b>	<b>\$ 840,000</b>	<b>\$ 953,928</b>	<b>\$ 1,013,750</b>

Additional information on the City’s long-term debt can be found in the notes to the basic financial statements of this report.

**Economic Factors and the Next Year’s Budget**

The City’s Budget Committee considered all the following factors while preparing the City budget for the 2020-21 fiscal year:

- a. Prior history of revenue and expenditures
- b. Capital projects in the water and sewer
- c. Expected property tax revenue

**Requests for Information**

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the City’s finances and to demonstrate the City’s accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Falls City  
 299 Mill Street  
 Falls City, Oregon 97344

***BASIC FINANCIAL STATEMENTS***

**CITY OF FALLS CITY, OREGON**  
**STATEMENT OF NET POSITION (MODIFIED CASH BASIS)**  
**JUNE 30, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 886,942	\$ 607,207	\$ 1,494,149
<b>LIABILITIES</b>			
Payroll withholdings	129	-	129
<b>NET POSITION</b>			
Restricted for:			
Debt service	-	61,762	61,762
Community development	67,215	-	67,215
Fire service	4,920	-	4,920
Streets	174,289	-	174,289
Unrestricted	640,389	545,445	1,185,834
<i>Total Net Position</i>	<u>\$ 886,813</u>	<u>\$ 607,207</u>	<u>\$ 1,494,020</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF FALLS CITY, OREGON**  
**STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)**  
**YEAR ENDED JUNE 30, 2020**

	<i>Program Revenues</i>			<i>Net (Expenses) Revenues and Changes in Net Position</i>		
	<i>Expenses</i>	<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
<b>FUNCTIONS/PROGRAMS</b>						
<b>Governmental activities:</b>						
General government	\$ 359,065	\$ 112,865	\$ 195,557	\$ (50,643)	\$ -	\$ (50,643)
Community development	37,315	-	-	(37,315)	-	(37,315)
Fire service	147,821	-	-	(147,821)	-	(147,821)
Parks	22,643	-	-	(22,643)	-	(22,643)
Street	207,964	-	163,976	(43,988)	-	(43,988)
Interest on long-term debt	5,068	-	-	(5,068)	-	(5,068)
<i>Total Governmental activities</i>	<i>779,876</i>	<i>112,865</i>	<i>359,533</i>	<i>(307,478)</i>	<i>-</i>	<i>(307,478)</i>
<b>Business-type activities:</b>						
Water	359,777	318,547	-	-	(41,230)	(41,230)
Sewer	409,940	177,599	154,574	-	(77,767)	(77,767)
<i>Total Business-type activities</i>	<i>769,717</i>	<i>496,146</i>	<i>154,574</i>	<i>-</i>	<i>(118,997)</i>	<i>(118,997)</i>
<i>Total Activities</i>	<i>\$ 1,549,593</i>	<i>\$ 609,011</i>	<i>\$ 514,107</i>	<i>(307,478)</i>	<i>(118,997)</i>	<i>(426,475)</i>
<b>General Revenues:</b>						
Property taxes				168,859	-	168,859
Franchise taxes				53,953	-	53,953
Intergovernmental				31,081	-	31,081
Miscellaneous				270,457	31,174	301,631
<i>Total General Revenues</i>				<i>524,350</i>	<i>31,174</i>	<i>555,524</i>
<b>Change in net position</b>				216,872	(87,823)	129,049
<b>Net Position - beginning of year</b>				669,941	695,030	1,364,971
<b>Net Position - end of year</b>				<b>\$ 886,813</b>	<b>\$ 607,207</b>	<b>\$ 1,494,020</b>

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

**CITY OF FALLS CITY, OREGON**  
**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<u>Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Streets Fund</u>	<u>Polk Community Development Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 348,910	\$ 174,289	\$ 285,159	\$ 72,135	\$ 880,493
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Payroll withholdings	\$ 129	\$ -	\$ -	\$ -	\$ 129
<b>Fund Balance:</b>					
Restricted for:					
Community development	-	-	-	67,215	67,215
Fire services	-	-	-	4,920	4,920
Streets	-	174,289	-	-	174,289
Committed to:					
Community development	-	-	285,159	-	285,159
Unassigned	348,781	-	-	-	348,781
<i>Total Fund Balance</i>	348,781	174,289	285,159	72,135	880,364
<i>Total Liabilities and Fund Balance</i>	\$ 348,910	\$ 174,289	\$ 285,159	\$ 72,135	\$ 880,493

*The accompanying notes are an integral part of the financial statements.*

**CITY OF FALLS CITY, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue</u>				<u>Total</u>
	<u>General Fund</u>	<u>Streets Fund</u>	<u>Polk Community Development Fund</u>	<u>Other Governmental Funds</u>	
<b>REVENUES</b>					
Taxes and assessments	\$ 126,190	\$ -	\$ -	\$ 42,669	\$ 168,859
Licenses and permits	63,078	-	-	-	63,078
Charges for services	315	-	-	-	315
Intergovernmental	226,638	163,976	-	-	390,614
Miscellaneous	36,685	-	207,622	26,150	270,457
<i>Total Revenues</i>	<u>452,906</u>	<u>163,976</u>	<u>207,622</u>	<u>68,819</u>	<u>893,323</u>
<b>EXPENDITURES</b>					
General government	258,646	-	-	-	258,646
Community development	-	-	19,154	-	19,154
Fire service	134,491	-	-	13,330	147,821
Parks	22,643	-	-	-	22,643
Streets	-	70,238	-	-	70,238
Debt payments					
Principal	3,742	-	-	15,210	18,952
Interest	1,018	-	-	3,751	4,769
Capital acquisitions	-	137,726	-	2,951	140,677
<i>Total Expenditures</i>	<u>420,540</u>	<u>207,964</u>	<u>19,154</u>	<u>35,242</u>	<u>682,900</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	32,366	(43,988)	188,468	33,577	210,423
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	17,000	-	-	-	17,000
Transfers out	-	-	(17,000)	-	(17,000)
<i>Total Other Financing Sources (Uses)</i>	<u>17,000</u>	<u>-</u>	<u>(17,000)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	49,366	(43,988)	171,468	33,577	210,423
<b>FUND BALANCE, beginning of year</b>	299,415	218,277	113,691	38,558	669,941
<b>FUND BALANCE, end of year</b>	<u>\$ 348,781</u>	<u>\$ 174,289</u>	<u>\$ 285,159</u>	<u>\$ 72,135</u>	<u>\$ 880,364</u>

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



**CITY OF FALLS CITY, OREGON**

**STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

**JUNE 30, 2020**

	<u>Sewer</u>	<u>Water</u>	<u>Utility Reserve</u>	<u>Total</u>	<u>Governmental Activities</u>
					<u>Shared Services</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 92,598	\$ 199,814	\$ 314,795	\$ 607,207	\$ 6,449
<b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND NET POSITION</b>					
Restricted for:					
Debt service	-	61,762	-	61,762	-
Unrestricted	92,598	138,052	314,795	545,445	6,449
<i>Total Liabilities and Fund Net Position</i>	<u>\$ 92,598</u>	<u>\$ 199,814</u>	<u>\$ 314,795</u>	<u>\$ 607,207</u>	<u>\$ 6,449</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF FALLS CITY, OREGON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**(MODIFIED CASH BASIS) - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<i>Sewer</i>	<i>Water</i>	<i>Utility Reserve</i>	<i>Total</i>	<i>Governmental Activities</i>
					<i>Shared Services</i>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 127,066	\$ 318,392	\$ 50,533	\$ 495,991	\$ 103,425
Miscellaneous	-	155	31,174	31,329	-
<i>Total Operating Revenues</i>	127,066	318,547	81,707	527,320	103,425
<b>OPERATING EXPENSES</b>					
Personal services	74,216	112,263	-	186,479	-
Materials and services	46,241	103,511	-	149,752	90,807
<i>Total Operating Expenses</i>	120,457	215,774	-	336,231	90,807
<b>OPERATING INCOME (LOSS)</b>	6,609	102,773	81,707	191,089	12,618
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	154,574	-	-	154,574	-
Capital acquisitions	(239,320)	-	(130,664)	(369,984)	-
Debt payments					
Principal	-	(35,000)	-	(35,000)	(5,870)
Interest	-	(28,502)	-	(28,502)	(299)
<i>Total Nonoperating Revenues (Expenses)</i>	(84,746)	(63,502)	(130,664)	(278,912)	(6,169)
<b>CHANGE IN FUND NET POSITION</b>	(78,137)	39,271	(48,957)	(87,823)	6,449
<b>FUND NET POSITION, beginning of year</b>	170,735	160,543	363,752	695,030	-
<b>FUND NET POSITION, end of year</b>	\$ 92,598	\$ 199,814	\$ 314,795	\$ 607,207	\$ 6,449

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

**CITY OF FALLS CITY, OREGON**

**STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2020**

					<i>Governmental Activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Utility Reserve</i>	<i>Total</i>	<i>Shared Services</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 127,066	\$ 318,392	\$ 50,533	\$ 495,991	\$ 103,425
Cash received from other sources	-	155	31,174	31,329	-
Cash paid to employees and others for salaries and benefits	(74,216)	(112,263)	-	(186,479)	-
Cash paid to suppliers and others	(46,241)	(103,511)	-	(149,752)	(90,807)
<i>Net Cash Provided by Operating Activities</i>	6,609	102,773	81,707	191,089	12,618
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental	154,574	-	-	154,574	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(239,320)	-	(130,664)	(369,984)	-
Principal paid on debt	-	(35,000)	-	(35,000)	(5,870)
Interest paid on debt	-	(28,502)	-	(28,502)	(299)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(239,320)	(63,502)	(130,664)	(433,486)	(6,169)
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	(78,137)	39,271	(48,957)	(87,823)	6,449
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	170,735	160,543	363,752	695,030	-
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 92,598</u>	<u>\$ 199,814</u>	<u>\$ 314,795</u>	<u>\$ 607,207</u>	<u>\$ 6,449</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income	\$ 6,609	\$ 102,773	\$ 81,707	\$ 191,089	\$ 12,618
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 6,609</u>	<u>\$ 102,773</u>	<u>\$ 81,707</u>	<u>\$ 191,089</u>	<u>\$ 12,618</u>

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

**CITY OF FALLS CITY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Falls City, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city administrator. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

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

*Basic Financial Statements*

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

*Government-wide financial statements* display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents the assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components: Restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**CITY OF FALLS CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basic Financial Statements (Continued)*

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general and special revenue) and proprietary (enterprise and internal service) type funds. Major governmental funds, major special revenue funds, major enterprise funds, and internal service funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

*Basis of Presentation*

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

Government accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds. The City may electively add funds as major funds, which either have debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

*General Fund* – This fund is the City’s primary operating fund. It accounts for all financial resources of the City, except for those requiring separate accounting in another fund. Principal sources of revenues are property taxes, franchise fees, and State shared revenues. Expenditures are primarily for general government.

*Street Fund* – Expenditures of this fund are restricted under Article IX of the Constitution of the State of Oregon for construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, and streets within the City. Principal revenues include state gas tax apportionments and federal and state grants. Expenditures are for construction and maintenance of public streets.

*Polk Community Development Fund* – This fund accounts for rehabilitation housing loan repayments received from Polk CDC. At June 30, 2020, Polk CDC had \$256,517 of loans outstanding. Collections from these loans will either be remitted to the City or loaned to qualified applicants.

The City reports all three of its enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers.

*Sewer* – This fund accounts for the operations, maintenance, debt service, and capital construction projects for the City’s sewer system, which is funded through utility fees, construction fees, and debt proceeds.

*Water* – This fund accounts for the operations, maintenance, debt service, and capital construction projects for the City’s water system, which is funded through utility fees, construction fees, and debt proceeds

**CITY OF FALLS CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of Presentation (Continued)*

*Utility Reserve* – This fund accounts for funds reserved for capital improvements and repairs for water and sewer and is funded by utility capital improvement fees.

*Fund Balance*

In governmental funds, the City’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be “reserved” during the adoption of the annual budget. The City Administrator uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City’s Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

*Definitions of Governmental Fund Types*

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities. The City does not have any capital projects funds in the current fiscal year.

**CITY OF FALLS CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting*

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

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, long-term liabilities such as debt are only reported in the notes to the financial statements.

**CITY OF FALLS CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Proprietary funds distinguish between operating revenues and expenses and nonoperating. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating revenues.

*Cash and Cash Equivalents*

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

*Property Taxes*

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

*Capital Assets*

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position or the Proprietary Funds Statement of Fund Net Position or in the notes to the financial statements.

*Long-Term Debt*

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures / expenses when paid.



**CITY OF FALLS CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accrued Compensated Absences*

Accumulated unpaid vacation pay is not accrued. Earned but unpaid vacation pay is recorded as an expenditure when paid. The amount payable for accumulated vacation time as of June 30, 2020 was not available.

*Budgets and Budgetary Accounting*

The City adopts the budget on a department basis for the General fund and on an object basis for all other funds. Therefore, cash expenditures of a fund may not legally exceed that object's appropriations for cash expenditures. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

*Use of Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect reporting amounts of certain assets, liabilities, revenues and expenditures as of June 30, 2020. Actual results may differ from those estimates.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following at June 30, 2020:

<b>Cash</b>	
Cash on hand	\$ 306
Deposits with financial institutions	20,138
Cash held by fiscal agents	285,099
<b>Investments</b>	
Local Government Investment Pool	1,188,606
	<hr/>
	\$ 1,494,149
	<hr/> <hr/>

*Deposits*

The book balance of the City's bank deposits (checking accounts) was \$20,138 and the bank balance was \$72,774 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS295 under a collateral program administered by the Oregon State Treasurer.

*Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected.

## **CITY OF FALLS CITY, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2020*

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### **CASH AND CASH EQUIVALENTS**

#### *Custodial Credit Risk – Deposits (Continued)*

Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2020, all of the City's bank balances were covered by FDIC insurance.

#### *Local Government Investment Pool*

The State Treasurer of the State of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2020, the fair value of the position in the Oregon State Treasurer's Short Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality.

Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer.

#### *Interest Rate Risk*

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

#### *Custodial Risk – Investments*

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments.

The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution.

**CITY OF FALLS CITY, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2020

**CASH AND CASH EQUIVALENTS (Continued)**

Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. The LGIP is not rated for credit quality. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

*Cash Held by Fiscal Agents*

Cash held by fiscal agents is held by Polk Community Development Corporation. Information on collateralization of this cash is contained in the annual financial report of the corporation. The corporation is subject to the same regulations regarding collateralization as the City.

**LONG-TERM DEBT**

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

	<i>Outstanding July 1, 2019</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2020</i>	<i>Due Within One Year</i>
<i>Governmental activities - direct borrowings</i>					
Fire truck lease	\$ 66,209	\$ -	\$ (15,210)	\$ 50,999	\$ 16,072
Polk County CDC loan	47,382	-	(2,044)	45,338	2,064
Public works truck loan	5,870	-	(5,870)	-	-
Park expansion loan	54,291	-	(1,699)	52,592	1,714
	<u>\$ 173,752</u>	<u>\$ -</u>	<u>\$ (24,823)</u>	<u>\$ 148,929</u>	<u>\$ 19,850</u>
<i>Business-type activities - direct placement</i>					
Full Faith and Credit Refunding Obligations	<u>\$ 840,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 805,000</u>	<u>\$ 35,000</u>

*Loans from Direct Borrowings – Governmental Activities*

Fire Truck Lease: On May 7, 2019 the City entered into a lease-purchase agreement with GM Financial to acquire a fire truck. The loan was for \$ 85,170 and calls for annual payments of \$18,961 including interest at 5.66% through May 7, 2023. In the event of default, the lender may declare all amounts immediately due and payable or may take possession of the vehicle.

Polk County CDC Loan: On May 1, 2010 the City entered into a loan agreement with Polk County Community Development Corporation in the amount of \$65,000 with annual payments of \$2,519 which include interest at 1% through May 1, 2040. The purpose of the loan was for capital improvements. In the event of default, the lender may exercise any remedy available at law or in equity.

**CITY OF FALLS CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**LONG-TERM DEBT** (Continued)

*Loans from Direct Borrowings – Governmental Activities (Continued)*

Public Works Truck Loan: On June 2, 2017 the City entered into a loan agreement with GM Financial to acquire a truck used in the public works department. The loan was for \$22,941 and calls for annual payments of \$6,169 including interest at 5.09% through June 2, 2020. In the event of default, the lender may declare all amounts immediately due and payable or may take possession of the vehicle. The loan was paid in full in the current year.

Park Expansion Loan: On October 1, 2017 the City entered into a loan agreement with Polk County Community Development Corporation in the amount of \$57,856 with annual payments of \$2,242 which include interest at 1% through October 1, 2046. The purpose of the loan was for capital improvements to Michael Harding park. In the event of default, the lender may exercise any remedy available at law or in equity.

*Bonds Payable from Direct Placement – Business Type Activities*

Full Faith and Credit Obligation: On October 11, 2017 the City borrowed \$925,000 from U.S. Bank through the Oregon Cities Financing Pool to refinance USDA water revenue bonds that had been issued in 2003. The bonds call for semiannual payments at coupon rates ranging from 2% to 4%. Annual debt service requirements range from \$61,263 to \$65,287. The bonds are secured by the full faith and credit of the City. In the event of default, the bonds are not subject to acceleration.

Future debt service requirements are as follows:

*Governmental Activities*

<b><i>Fiscal Year Ending June 30,</i></b>	<b><i>Principal</i></b>	<b><i>Interest</i></b>	<b><i>Total</i></b>
2021	\$ 19,850	\$ 3,872	\$ 23,722
2022	20,800	2,922	23,722
2023	21,801	1,921	23,722
2024	3,836	925	4,761
2025	3,873	888	4,761
2026-2030	20,264	3,541	23,805
2031-2035	21,297	2,508	23,805
2036-2040	22,392	1,413	23,805
2041-2044	10,679	531	11,210
2045-2047	4,136	61	4,197
	<b>\$ 148,928</b>	<b>\$ 18,582</b>	<b>\$ 167,510</b>

**CITY OF FALLS CITY, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2020

**LONG-TERM DEBT (Continued)**

*Business-type Activities*

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 35,000	\$ 26,762	\$ 61,762
2022	35,000	25,712	60,712
2023	40,000	24,662	64,662
2024	40,000	23,062	63,062
2025	40,000	21,462	61,462
2026-2030	█ 235,000	82,510	317,510
2031-2035	█ 275,000	42,480	317,480
2036-2040	█ 105,000	4,726	109,726
	<b>\$ 805,000</b>	<b>\$ 251,376</b>	<b>\$ 1,056,376</b>

**PENSION PLAN**

Plan Description – City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee’s hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

**CITY OF FALLS CITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**PENSION PLAN (Continued)**

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2019-20 were 21.88% for Tier One/Tier Two employees, 15.01% for OPSRP general service employees, and 19.64% for OPSRP police/fire employees. The City's total contributions to PERS were \$31,683, for fiscal year ended June 30, 2020.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2020 were based on the December 31, 2017 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2020, the City reported a net pension liability of \$289,621 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on a

**CITY OF FALLS CITY, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

YEAR ENDED JUNE 30, 2020

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**PENSION PLAN (Continued)**

December 31, 2017, actuarial valuation, rolled forward to the measurement date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City’s proportion was 0.00167434% as of the June 30, 2019 measurement date, compared to 0.00154006% as of June 30, 2018.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2017, actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.20%, and mortality rates based on the RP-2014 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

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

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.20%, 7.20%, and 8.20%.

	<u>1% Decrease</u> <u>(6.20%)</u>	<u>Discount Rate</u> <u>(7.20%)</u>	<u>1% Increase</u> <u>(8.20%)</u>
Proportionate share of the net pension liability	\$ 463,802	\$ 289,621	\$ 143,855

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. The City has opted not to pick-up the contributions on behalf of employees. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP. Total paid by employees for the fiscal year was \$13,568.

**CITY OF FALLS CITY, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2020

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**INTERFUND TRANSACTIONS**

Interfund transactions during the current fiscal year were as follows.

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 17,000	\$ -
Polk CDC	-	17,000
	<u>\$ 17,000</u>	<u>\$ 17,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**OVEREXPENDITURES OF APPROPRIATIONS AND DEFICIT FUND BALANCES**

Oregon law prohibits expenditures in excess of Council approved appropriations. Overexpenditures of appropriations in the current year were as follows:

<u>Fund / Appropriation category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General</b>			
Parks and cemeteries	\$ 22,066	\$ 22,643	\$ (577)
<b>Polk CDC</b>			
Materials and services	\$ -	\$ 19,154	\$ (19,154)
<b>Water</b>			
Debt service			
Interest	\$ 27,814	\$ 28,502	\$ (688)

**CONTINGENCIES**

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. There were no open claims at the time of this report. No insurance claims settled in each of the prior three years have exceed policy coverage.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City’s financial position.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 26, 2021, the date on which the financial statements were available to be issued. As a result of the recent coronavirus pandemic (COVID-19) and wildfire disaster that occurred this summer, numerous sectors of the community are suffering damage, and long-term economic consequences remain unknown.



***SUPPLEMENTAL INFORMATION***

**CITY OF FALLS CITY, OREGON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

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	<u>Special Revenue</u>		
	<u>Wagner Library 80% Fund</u>	<u>Fire Levy</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 67,215	\$ 4,920	\$ 72,135
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>	\$ -	\$ -	\$ -
<b>Fund Balance:</b>			
Restricted for:			
Fire service	-	4,920	4,920
Community development	67,215	-	67,215
<b>Total Liabilities and Fund Balance</b>	<b>\$ 67,215</b>	<b>\$ 4,920</b>	<b>\$ 72,135</b>

**CITY OF FALLS CITY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue</u>		
	<u>Wagner Library 80% Fund</u>	<u>Fire Levy</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes and assessments	\$ -	\$ 42,669	\$ 42,669
Miscellaneous	26,150	-	26,150
<i>Total Revenues</i>	26,150	42,669	68,819
<b>EXPENDITURES</b>			
Fire service	-	13,330	13,330
Debt service			-
Principal	-	15,210	15,210
Interest	-	3,751	3,751
Capital outlay	-	2,951	2,951
<i>Total Expenditures</i>	-	35,242	35,242
<b>NET CHANGE IN FUND BALANCE</b>	26,150	7,427	33,577
<b>FUND BALANCE (Deficit), beginning of year</b>	41,065	(2,507)	38,558
<b>FUND BALANCE, end of year</b>	<u>\$ 67,215</u>	<u>\$ 4,920</u>	<u>\$ 72,135</u>

**CITY OF FALLS CITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(BUDGETARY BASIS) - BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 115,900	\$ 115,900	\$ 126,190	\$ 10,290
Licenses and permits	57,300	57,300	63,078	5,778
Charges for services	-	-	315	315
Intergovernmental	96,100	193,510	226,638	33,128
Fines and forfeitures	500	500	-	(500)
Miscellaneous	21,880	22,280	36,685	14,405
<i>Total Revenues</i>	291,680	389,490	452,906	63,416
<b>EXPENDITURES</b>				
Council	1,000	1,000	556	444
Code enforcement and court	21,032	21,032	8,036	12,996
Fire	68,209	148,414	134,491	13,923
Parks and cemeteries	29,181	22,066	22,643	(577)
Administration	223,605	246,330	219,659	26,671
Other	30,395	30,395	30,395	-
Debt service				
Principal	3,636	3,636	3,742	(106) *
Interest	1,131	1,131	1,018	113
Contingency	60,000	55,495	-	55,495
<i>Total Expenditures</i>	438,189	529,499	420,540	108,959
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(146,509)	(140,009)	32,366	172,375
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	23,500	17,000	17,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(123,009)	(123,009)	49,366	172,375
<b>FUND BALANCE, beginning of year</b>	250,000	250,000	299,415	49,415
<b>FUND BALANCE, end of year</b>	\$ 126,991	\$ 126,991	\$ 348,781	\$ 221,790

\* Debt service is appropriated in total, therefore this is not an overexpenditure of appropriations.

**CITY OF FALLS CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - STREETS FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 563,000	\$ 923,000	\$ 163,976	\$ (759,024)
<b>EXPENDITURES</b>				
Personnel services	52,422	53,807	41,690	12,117
Materials and services	33,296	33,296	28,548	4,748
Capital outlay	500,000	860,000	137,726	722,274
Contingency	30,000	28,615	-	28,615
<i>Total Expenditures</i>	615,718	975,718	207,964	767,754
<b>NET CHANGE IN FUND BALANCE</b>	(52,718)	(52,718)	(43,988)	8,730
<b>FUND BALANCE, beginning of year</b>	120,000	120,000	218,277	98,277
<b>FUND BALANCE, end of year</b>	\$ 67,282	\$ 67,282	\$ 174,289	\$ 107,007

**CITY OF FALLS CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - POLK COMMUNITY DEVELOPMENT FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 9,000	\$ 9,000	\$ 207,622	\$ 198,622
<b>EXPENDITURES</b>				
Materials and services	-	-	19,154	(19,154)
Contingency	10,000	16,500	-	16,500
<i>Total Expenditures</i>	10,000	16,500	19,154	(2,654)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,000)	(7,500)	188,468	195,968
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(23,500)	(17,000)	(17,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(24,500)	(24,500)	171,468	195,968
<b>FUND BALANCE, beginning of year</b>	100,000	100,000	113,691	13,691
<b>FUND BALANCE, end of year</b>	\$ 75,500	\$ 75,500	\$ 285,159	\$ 209,659

**CITY OF FALLS CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - WAGNER LIBRARY 80% FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 26,150	\$ 26,150
<b>EXPENDITURES</b>				
Contingency	41,000	41,000	-	41,000
<b>NET CHANGE IN FUND BALANCE</b>	(41,000)	(41,000)	26,150	67,150
<b>FUND BALANCE, beginning of year</b>	41,000	41,000	41,065	65
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 67,215	\$ 67,215

**CITY OF FALLS CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - FIRE LEVY FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 40,000	\$ 40,000	\$ 42,669	\$ 2,669
<b>EXPENDITURES</b>				
Materials and services	26,271	26,271	13,330	12,941
Debt service				
Principal	23,000	15,210	15,210	-
Interest	-	3,751	3,751	-
Capital outlay	-	4,039	2,951	1,088
<i>Total Expenditures</i>	<u>49,271</u>	<u>49,271</u>	<u>35,242</u>	<u>14,029</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,271)	(9,271)	7,427	16,698
<b>FUND BALANCE (Deficit), beginning of year</b>	<u>10,000</u>	<u>10,000</u>	<u>(2,507)</u>	<u>(12,507)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 729</u>	<u>\$ 729</u>	<u>\$ 4,920</u>	<u>\$ 4,191</u>



**CITY OF FALLS CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - SEWER FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 113,000	\$ 113,000	\$ 127,066	\$ 14,066
Intergovernmental	270,000	270,000	154,574	(115,426)
<i>Total Revenues</i>	<u>383,000</u>	<u>383,000</u>	<u>281,640</u>	<u>(101,360)</u>
<b>EXPENDITURES</b>				
Personnel services	85,581	85,981	74,216	11,765
Materials and services	68,487	68,487	46,241	22,246
Capital outlay	270,000	270,000	239,320	30,680
Contingency	40,000	39,600	-	39,600
<i>Total Expenditures</i>	<u>464,068</u>	<u>464,068</u>	<u>359,777</u>	<u>104,291</u>
<b>CHANGE IN FUND BALANCE</b>	(81,068)	(81,068)	(78,137)	2,931
<b>FUND BALANCE, beginning of year</b>	<u>140,000</u>	<u>140,000</u>	<u>170,735</u>	<u>30,735</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 58,932</u>	<u>\$ 58,932</u>	<u>\$ 92,598</u>	<u>\$ 33,666</u>

**CITY OF FALLS CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - WATER FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 289,500	\$ 289,500	\$ 318,392	\$ 28,892
Miscellaneous	-	-	155	155
<i>Total Revenues</i>	289,500	289,500	318,547	29,047
<b>EXPENDITURES</b>				
Personnel services	116,299	116,299	112,263	4,036
Materials and services	115,372	115,372	103,511	11,861
Debt service				
Principal	35,000	35,000	35,000	-
Interest	27,814	27,814	28,502	(688)
Capital outlay	-	-	-	-
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	344,485	344,485	279,276	65,209
<b>CHANGE IN FUND BALANCE</b>	(54,985)	(54,985)	39,271	94,256
<b>FUND BALANCE, beginning of year</b>	195,000	195,000	160,543	(34,457)
<b>FUND BALANCE, end of year</b>	\$ 140,015	\$ 140,015	\$ 199,814	\$ 59,799

**CITY OF FALLS CITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - UTILITY RESERVE FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 46,000	\$ 46,000	\$ 50,533	\$ 4,533
Miscellaneous	-	-	31,174	31,174
<i>Total Revenues</i>	46,000	46,000	81,707	35,707
<b>EXPENDITURES</b>				
Capital outlay	150,000	150,000	130,664	19,336
Contingency	231,000	231,000	-	231,000
<i>Total Expenditures</i>	381,000	381,000	130,664	250,336
<b>CHANGE IN FUND BALANCE</b>	(335,000)	(335,000)	(48,957)	286,043
<b>FUND BALANCE, beginning of year</b>	335,000	335,000	363,752	28,752
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 314,795	\$ 314,795

**CITY OF FALLS CITY, OREGON**

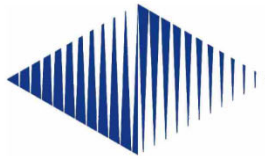
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - SHARED SERVICES FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 110,327	\$ 110,327	\$ 103,425	\$ (6,902)
<b>EXPENDITURES</b>				
Materials and services	94,157	94,157	90,807	3,350
Debt service				
Principal	6,170	5,871	5,870	1
Interest	-	299	299	-
Contingency	10,000	10,000	-	10,000
<i>Total Expenditures</i>	<u>110,327</u>	<u>110,327</u>	<u>96,976</u>	<u>13,351</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	6,449	6,449
<b>FUND BALANCE, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,449</u>	<u>\$ 6,449</u>

***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

[www.gmscpa.com](http://www.gmscpa.com)

(503) 581-7788 • FAX (503) 581-0152

475 Cottage Street NE, Suite 200 • Salem, Oregon 97301-3814

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

Honorable Mayor and Members of the City Council  
City of Falls City  
299 Mill Street  
Falls City, Oregon 97344

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Falls City, Oregon as of and for the year ended June 30, 2020, and have issued our report thereon dated January 26, 2021.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Falls City, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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

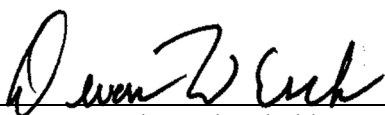
***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

***Restriction on Use***

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

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By:   
Devan W. Esch, A Shareholder  
January 26, 2021