

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BEAVERTON, OREGON
STATEMENT OF NET POSITION
June 30, 2019

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets: | | | |
| Cash and investments | \$84,882,443 | \$51,073,478 | \$135,955,921 |
| Property taxes receivable | 758,867 | | 758,867 |
| Court fines receivable | 1,867,670 | | 1,867,670 |
| Right of way revenues and other receivables, ne | 2,269,803 | 7,073,199 | 9,343,002 |
| Due from other governments | 1,664,414 | | 1,664,414 |
| Grants receivable | 555,897 | | 555,897 |
| Accrued interest receivable | 357,182 | 165,604 | 522,786 |
| Internal balances | 883,596 | (883,596) | |
| Inventory | 101,835 | 220,395 | 322,230 |
| Other assets | 50,000 | | 50,000 |
| Investments in joint ventures | | 21,139,789 | 21,139,789 |
| Net other postemployment benefits (OPEB) asset | 408,919 | 51,223 | 460,142 |
| Capital assets | | | |
| Land, intangible assets, construction in progress | 43,986,042 | 27,147,990 | 71,134,032 |
| Depreciable intangible assets (net of amortization) | 1,427,225 | | 1,427,225 |
| Buildings and improvements (net of depreciation) | 34,704,314 | 65,851 | 34,770,165 |
| Machinery and equipment (net of depreciation) | 6,388,640 | 3,623,861 | 10,012,501 |
| Infrastructure (net of depreciation) | 113,941,024 | 198,635,608 | 312,576,632 |
| TOTAL ASSETS | 294,247,871 | 308,313,402 | 602,561,273 |
| Deferred Outflows of Resources: | | | |
| Deferred amount from other postemployment benefits obligation | 306,616 | 38,409 | 345,025 |
| Deferred amount from pension | 22,284,788 | 2,255,414 | 24,540,202 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 22,591,404 | 2,293,823 | 24,885,227 |
| Liabilities: | | | |
| Accounts payable | 4,932,673 | 111,476 | 5,044,149 |
| Accrued salaries and payroll taxes | 4,054,376 | 361,893 | 4,416,269 |
| Accrued interest payable | 73,429 | 301,718 | 375,147 |
| Other accrued liabilities | 589,334 | 69,194 | 658,528 |
| Due to other governments | 2,074,793 | 7,506,814 | 9,581,607 |
| Deposits, retainages and contractors payable | 1,207,741 | 2,321,228 | 3,528,969 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Bonds, contracts, loan payable, net | 2,685,454 | 1,346,975 | 4,032,429 |
| Compensated absences | 754,090 | 83,788 | 837,878 |
| Portion due in more than one year: | | | |
| Bonds, contracts, loan payable, line of credit, net | 39,078,413 | 24,922,127 | 64,000,540 |
| Compensated absences | 3,418,245 | 458,195 | 3,876,440 |
| Net OPEB obligation | 3,970,757 | 497,406 | 4,468,163 |
| Net pension liability | 63,547,706 | 6,431,581 | 69,979,287 |
| TOTAL LIABILITIES | 126,387,011 | 44,412,395 | 170,799,406 |
| Deferred Inflows of Resources: | | | |
| Deferred amount from OPEB | 1,067,753 | 133,754 | 1,201,507 |
| Deferred amount from pension | 6,594,159 | 667,387 | 7,261,546 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 7,661,912 | 801,141 | 8,463,053 |
| Net Position: | | | |
| Net Investment in capital assets | 184,269,254 | 218,174,485 | 402,443,739 |
| Restricted for: | | | |
| Construction | | 15,695,953 | 15,695,953 |
| Debt service | 413,958 | 69,972 | 483,930 |
| Highways and streets | 18,076,675 | | 18,076,675 |
| Education | 2,269,543 | | 2,269,543 |
| Other purposes | 3,647,683 | 51,223 | 3,698,906 |
| Unrestricted (deficit) | (25,886,761) | 31,402,056 | 5,515,295 |
| TOTAL NET POSITION | \$182,790,352 | \$265,393,689 | \$448,184,041 |

The notes to the basic financial statements are an integral part of this statement

CITY OF BEAVERTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Change in Net Position | | |
|---|----------------------|----------------------------|--|--|---|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$36,109,724 | \$8,974,454 | \$1,348,810 | | (\$25,786,460) | | (\$25,786,460) |
| Public safety | 34,097,993 | 4,950,573 | 560,407 | | (28,587,013) | | (28,587,013) |
| Highways and streets | 13,423,555 | 71,481 | 9,028,297 | \$7,882,905 | 3,559,128 | | 3,559,128 |
| Education | 10,256,681 | 125,675 | 5,960,370 | | (4,170,636) | | (4,170,636) |
| Cultural and recreation | 2,712,332 | | | | (2,712,332) | | (2,712,332) |
| Interest on long-term debt | 1,422,793 | | | | (1,422,793) | | (1,422,793) |
| Total governmental activities | <u>98,023,078</u> | <u>14,122,183</u> | <u>16,897,884</u> | <u>7,882,905</u> | <u>(59,120,106)</u> | | <u>(59,120,106)</u> |
| Business-type activities: | | | | | | | |
| Water | 13,619,747 | 15,903,093 | | 12,479,672 | | \$14,763,018 | 14,763,018 |
| Sewer | 5,009,069 | 4,512,350 | | 1,122,385 | | 625,666 | 625,666 |
| Storm drain | 6,159,986 | 6,288,258 | | 3,114,244 | | 3,242,516 | 3,242,516 |
| Total business-type activities | <u>24,788,802</u> | <u>26,703,701</u> | | <u>16,716,301</u> | | <u>18,631,200</u> | <u>18,631,200</u> |
| Total government | <u>\$122,811,880</u> | <u>\$40,825,884</u> | <u>\$16,897,884</u> | <u>\$24,599,206</u> | <u>(59,120,106)</u> | <u>18,631,200</u> | <u>(40,488,906)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 44,647,139 | | 44,647,139 |
| Property taxes, levied for debt service | | | | | 2,031,373 | | 2,031,373 |
| City tax levied for lodging, marijuana and business | | | | | 2,550,855 | | 2,550,855 |
| Intergovernmental revenues, unrestricted | | | | | 3,942,505 | | 3,942,505 |
| Right of way revenues | | | | | 9,498,504 | | 9,498,504 |
| Right of way revenues, allocated for debt service | | | | | 1,084,060 | | 1,084,060 |
| Unrestricted investment earnings | | | | | 3,361,604 | 2,040,546 | 5,402,150 |
| Other revenues | | | | | 744,295 | 102,876 | 847,171 |
| Total general revenues | | | | | <u>67,860,335</u> | <u>2,143,422</u> | <u>70,003,757</u> |
| Change in net position | | | | | <u>8,740,229</u> | <u>20,774,622</u> | <u>29,514,851</u> |
| Net position--Beginning, as previously reported | | | | | 174,050,123 | 243,851,844 | 417,901,967 |
| Adjustment for amortization on water rights (See Note III-G) | | | | | | 767,223 | 767,223 |
| Net position--Beginning, as restated | | | | | <u>174,050,123</u> | <u>244,619,067</u> | <u>418,669,190</u> |
| Net position--Ending | | | | | <u>\$182,790,352</u> | <u>\$265,393,689</u> | <u>\$448,184,041</u> |

The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund

This fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, right of way fees, state shared revenues and charges for administrative services provided to other funds. Primary expenditures are for police protection, court, engineering and planning services, and general administration such as human resources, finance, city attorney and mayor's office.

Street Fund

Accounts for receipts of revenues from county gasoline tax and state gasoline taxes apportioned from the State of Oregon, and expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

Library Fund

Accounts for receipts and expenditures of revenues from a county library special levy, property taxes levied, and donations and expenditures for operation of the City library.

Capital Development Fund

Accounts for the acquisition and construction of designated capital facilities. Major sources of revenue are bond sale proceeds and transfers from other funds.

OTHER GOVERNMENTAL FUNDS

Other Governmental Funds include Community Development Block Grant Fund, Building Fund, Transient Lodging Tax (TLT) Fund, Transportation Development Tax Fund, Transportation Systems Development Fund, Beaverton Center for the Arts Contribution Fund, General Obligation Debt Service Fund, Special Revenue Debt Service Fund, Capital Projects Fund, Assessment Debt Service Fund, Beaverton Urban Redevelopment Agency (BURA) General Fund, BURA Debt Service Fund and BURA Capital Projects Fund.

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

| | General Fund | Street Fund | Library Fund | Capital Development Fund | Other Governmental Funds | Total |
|---|---------------------|--------------------|--------------------|--------------------------------|--------------------------------|---------------------|
| Assets: | | | | | | |
| Cash and investments | \$21,907,644 | \$4,158,386 | \$2,586,481 | \$26,422,480 | \$24,254,440 | \$79,329,431 |
| Property taxes receivable | 597,674 | | 55,886 | | 105,307 | 758,867 |
| Court fines receivable | 1,867,670 | | | | | 1,867,670 |
| Right of way/other receivables, net | 1,533,764 | 13,150 | | | 440,653 | 1,987,567 |
| Accrued interest receivable | 120,192 | 14,232 | 10,826 | 94,376 | 92,005 | 331,631 |
| Due from other funds | 262,375 | | | | | 262,375 |
| Due from other governments | 446,297 | 990,678 | | | 227,439 | 1,664,414 |
| Grants receivable | 117,446 | | | | 438,451 | 555,897 |
| TOTAL ASSETS | <u>\$26,853,062</u> | <u>\$5,176,446</u> | <u>\$2,653,193</u> | <u>\$26,516,856</u> | <u>\$25,558,295</u> | <u>\$86,757,852</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$1,000,289 | \$428,613 | \$146,021 | \$2,378,947 | \$759,499 | \$4,713,369 |
| Accrued salaries and payroll taxes | 2,106,056 | 64,153 | 180,778 | | 110,423 | 2,461,410 |
| Due to other funds | | | | | 262,375 | 262,375 |
| Due to other governments | 455,937 | | | | 1,618,856 | 2,074,793 |
| Deposits and retainages payable | 717,164 | | | 486,579 | 3,998 | 1,207,741 |
| Total Liabilities | <u>4,279,446</u> | <u>492,766</u> | <u>326,799</u> | <u>2,865,526</u> | <u>2,755,151</u> | <u>10,719,688</u> |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue - municipal court fines | 1,440,897 | | | | | 1,440,897 |
| Unavailable revenue - property taxes | 493,827 | | 46,025 | | 86,495 | 626,347 |
| Unavailable revenue - transportation development tax | | | | | 429,615 | 429,615 |
| Unavailable revenue - assessment liens, and interest | 120,192 | 14,232 | 10,826 | 94,376 | 95,095 | 334,721 |
| Total Deferred Inflows of Resources | <u>2,054,916</u> | <u>14,232</u> | <u>56,851</u> | <u>94,376</u> | <u>611,205</u> | <u>2,831,580</u> |
| Fund balances: | | | | | | |
| Restricted | | 4,669,448 | 2,269,543 | 22,663,976 | 19,947,886 | 49,550,853 |
| Committed | 1,030,206 | | | 892,978 | 2,244,053 | 4,167,237 |
| Assigned | 9,379,871 | | | | | 9,379,871 |
| Unassigned | 10,108,623 | | | | | 10,108,623 |
| Total Fund Balances | <u>20,518,700</u> | <u>4,669,448</u> | <u>2,269,543</u> | <u>23,556,954</u> | <u>22,191,939</u> | <u>73,206,584</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$26,853,062</u> | <u>\$5,176,446</u> | <u>\$2,653,193</u> | <u>\$26,516,856</u> | <u>\$25,558,295</u> | <u>\$86,757,852</u> |

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2019

| | | |
|---|---------------------|-----------------------------|
| Total fund balances - governmental funds | | \$73,206,584 |
| <p>Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet:</p> | | |
| Acquisition cost | \$263,491,714 | |
| Accumulated depreciation | <u>(66,345,774)</u> | 197,145,940 |
| <p>Assets not available to pay for current-period expenditures and, therefore are not recognized in the governmental funds.</p> | | |
| Contract and interest receivable from land sale | | 249,312 |
| <p>Deferred revenues collected in subsequent years are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds' balance sheet:</p> | | |
| Property tax revenue | | 626,347 |
| Court fine revenue | | 1,440,897 |
| <p>Deferred transportation development tax, assessment liens and investment income revenues that are collected in subsequent periods and are not available for current year's operation. However, on a full accrual basis of accounting, they are reported as revenues.</p> | | |
| | | 764,336 |
| <p>Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.</p> | | |
| | | 4,189,050 |
| <p>Long-term liabilities, including bonds/loan payable, accrued interest, payroll, pension and OPEB liabilities are not due in the current period and, therefore, are not reported in the funds' balance sheet.</p> | | |
| Bonds, contracts, loans payable, net | (41,763,867) | |
| Accrued interest payable | (73,429) | |
| Accrued payroll liability, taxes and benefits liabilities | (5,031,890) | |
| Net pension activity: | | |
| Net pension liability | (58,359,644) | |
| Deferred outflows | 20,465,446 | |
| Deferred inflows | (6,055,810) | |
| Net Other Postemployment Benefits Obligation (OPEB) activity: | | |
| Net OPEB (RHIA) asset | 379,589 | |
| Net OPEB liability | (3,685,962) | |
| Deferred inflow | (991,174) | |
| Deferred outflows | 284,627 | |
| | | <u>(94,832,114)</u> |
| Total net position - governmental activities | | <u><u>\$182,790,352</u></u> |

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2019

| | General Fund | Street Fund | Library Fund | Capital Development Fund | Other Governmental Funds | Total |
|--|---------------------|--------------------|--------------------|--------------------------------|--------------------------------|---------------------|
| Revenues: | | | | | | |
| Property taxes | \$36,944,844 | | \$3,563,468 | | \$6,970,928 | \$47,479,240 |
| Local taxes | 573,435 | | | | 1,278,325 | 1,851,760 |
| Intergovernmental | 3,475,937 | \$9,028,296 | 5,866,584 | | 971,587 | 19,342,404 |
| Federal grants | 249,266 | | | | 684,413 | 933,679 |
| State and private grants | 300,179 | | 15,696 | | | 315,875 |
| Fees, licenses, and permits | 2,967,307 | | | | 7,455,343 | 10,422,650 |
| Right of way fees | 9,198,504 | 300,000 | | | 1,084,060 | 10,582,564 |
| Fines and forfeits | 4,167,028 | | 124,903 | | | 4,291,931 |
| Interest on investments and assessments | 883,601 | 160,012 | 95,947 | \$1,098,894 | 908,019 | 3,146,473 |
| Lease of City property | | | | | 176,225 | 176,225 |
| Charges for services | 3,720,870 | 71,482 | | | | 3,792,352 |
| Miscellaneous and cash-in-lieu | 324,121 | 24,562 | 128,283 | 127,280 | 104,729 | 708,975 |
| TOTAL REVENUES | 62,805,092 | 9,584,352 | 9,794,881 | 1,226,174 | 19,633,629 | 103,044,128 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 26,611,037 | | | | 5,766,212 | 32,377,249 |
| Public safety | 31,861,589 | | | | | 31,861,589 |
| Highways and streets | | 8,383,212 | | | 2,370,715 | 10,753,927 |
| Education | | | 9,541,173 | | | 9,541,173 |
| Cultural | 906,180 | | | | 1,530,467 | 2,436,647 |
| Debt service: | | | | | | |
| Principal | 83,854 | | | | 2,505,204 | 2,589,058 |
| Interest | 22,838 | | | | 1,475,240 | 1,498,078 |
| Capital Outlay | | | | 14,143,411 | 5,730,998 | 19,874,409 |
| TOTAL EXPENDITURES | 59,485,498 | 8,383,212 | 9,541,173 | 14,143,411 | 19,378,836 | 110,932,130 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3,319,594 | 1,201,140 | 253,708 | (12,917,237) | 254,793 | (7,888,002) |
| Other financing sources (uses): | | | | | | |
| Issuance, note payable | | | | | 903,000 | 903,000 |
| Transfers in | 805,126 | 616,649 | 259,108 | 1,471,874 | 5,314,728 | 8,467,485 |
| Transfers out | (2,815,793) | (1,068,209) | | | (4,583,483) | (8,467,485) |
| TOTAL OTHER FINANCING SOURCES (USES) | (2,010,667) | (451,560) | 259,108 | 1,471,874 | 1,634,245 | 903,000 |
| NET CHANGE IN FUND BALANCES | 1,308,927 | 749,580 | 512,816 | (11,445,363) | 1,889,038 | (6,985,002) |
| FUND BALANCES - Beginning of year | 19,209,773 | 3,919,868 | 1,756,727 | 35,002,317 | 20,302,901 | 80,191,586 |
| FUND BALANCES - End of year | \$20,518,700 | \$4,669,448 | \$2,269,543 | \$23,556,954 | \$22,191,939 | \$73,206,584 |

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds (\$6,985,002)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

| | | |
|---------------------------------|--------------------|------------|
| Expenditures for capital assets | \$20,894,896 | |
| Less current year depreciation | <u>(4,716,017)</u> | |
| | | 16,178,879 |

The net effect of transactions involving capital assets, i.e., gain/loss on sales, donations and contributions from private developers and other governments. These transactions are not reported in the governmental funds. 3,109,053

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. (765,444)

Repayments and proceeds of long-term debt are reported as expenditures, revenues, and other financing source in governmental funds. However, it is reported as a decrease/increase in liabilities in the Statement of Net Assets. 1,728,556

Accrued interest expense on long-term debt, amortization of premiums/discounts, and accrued interest income on note receivables are reported in the Statement of Activities. However, they do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 64,466

Accrued payroll liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (83,139)

Other post employment benefit obligations do not require the use of current financial resources, and, therefore are not included in the governmental funds. 61,501

Pension expense does not require the use of current financial resources, and, therefore, is not reported in governmental funds. (4,966,890)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 398,249

Change in net position of governmental activities \$8,740,229

The notes to the basic financial statements are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR BUSINESS-TYPE FUNDS

These funds are used to finance and account for the acquisition, operation and maintenance of water, sewer, and storm drain facilities which are supported by user charges.

Water Fund - accounts for the City's water utility operations, debt service and construction. This fund consists of three budgetary funds (Water Operating Fund, Water Debt Service Fund, and Water Construction Fund) that are combined as one enterprise fund in accordance with accounting principles generally accepted in the United States of America.

Sewer Fund - accounts for the City's sewer utility operations.

Storm Drain Fund - accounts for storm drainage connection fees and a user fee charged to property owners to finance maintenance of the City drainage system.

GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services provided by the City of Beaverton for other departments within the City. Internal Service Funds include: Reprographics, Garage, Information Systems, Geographic Information Systems, Operations Administration, and Insurance. The Geographic Information Systems Fund is closed out in FY 18-19.

**CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2019**

| | Business -Type Activities - Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|---|--|---------------|---------------------|---------------|--|
| | Water Fund | Sewer Fund | Storm Drain Fund | Totals | |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$26,419,623 | \$12,813,851 | \$11,840,004 | \$51,073,478 | \$5,553,012 |
| Accounts receivable, net | 2,664,963 | 3,086,531 | 880,255 | 6,631,749 | 39,057 |
| Other receivables | 350,372 | 91,078 | | 441,450 | |
| Accrued interest receivable | 73,877 | 47,108 | 44,619 | 165,604 | 19,418 |
| Inventory of materials and supplies | 175,102 | 11,582 | 33,711 | 220,395 | 101,835 |
| Total current assets | 29,683,937 | 16,050,150 | 12,798,589 | 58,532,676 | 5,713,322 |
| Noncurrent assets: | | | | | |
| Other assets | | | | | 50,000 |
| Investments in joint venture - JWC | 15,915,103 | | | 15,915,103 | |
| Investments in joint venture - Barney | 4,887,362 | | | 4,887,362 | |
| Investments in joint venture - WIF | 337,324 | | | 337,324 | |
| Net OPEB Asset | 19,407 | 14,312 | 17,504 | 51,223 | 29,330 |
| Capital assets, net | 112,899,948 | 53,016,064 | 63,557,298 | 229,473,310 | 3,301,305 |
| Total noncurrent assets | 134,059,144 | 53,030,376 | 63,574,802 | 250,664,322 | 3,380,635 |
| TOTAL ASSETS | 163,743,081 | 69,080,526 | 76,373,391 | 309,196,998 | 9,093,957 |
| Deferred outflows of resources: | | | | | |
| Deferred amount on pensions | 929,283 | 549,008 | 777,123 | 2,255,414 | 1,819,342 |
| Deferred amount on OPEB | 14,552 | 10,732 | 13,125 | 38,409 | 21,989 |
| Total deferred outflows of resources | 943,835 | 559,740 | 790,248 | 2,293,823 | 1,841,331 |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 47,662 | 21,185 | 42,629 | 111,476 | 219,304 |
| Accrued salaries and payroll taxes | 140,218 | 88,365 | 133,310 | 361,893 | 294,107 |
| Accrued interest payable | 301,718 | | | 301,718 | |
| Other accrued liabilities | 11,601 | | 57,593 | 69,194 | 589,334 |
| Deposits and retainage payable | 2,097,186 | 80,373 | 143,669 | 2,321,228 | |
| Due to other governments | 1,060,392 | 6,013,043 | 433,379 | 7,506,814 | |
| Contract payable, net | 25,579 | | | 25,579 | |
| Bonds payable, net | 1,321,396 | | | 1,321,396 | |
| Total current liabilities | 5,005,752 | 6,202,966 | 810,580 | 12,019,298 | 1,102,745 |
| Long-term liabilities: | | | | | |
| Portion due within one year: | | | | | |
| Compensated absences | 30,599 | 19,727 | 33,461 | 83,787 | 79,398 |
| Portion due in more than one year: | | | | | |
| Compensated absences | 167,334 | 107,877 | 182,985 | 458,196 | 359,906 |
| Contract payable, net | 449,362 | | | 449,362 | |
| Bonds payable, net | 23,375,120 | | | 23,375,120 | |
| Loans Payable - IFA | 1,097,645 | | | 1,097,645 | |
| Net pension liability | 2,649,962 | 1,565,562 | 2,216,057 | 6,431,581 | 5,188,062 |
| Net OPEB obligation | 188,455 | 138,978 | 169,973 | 497,406 | 284,795 |
| Total long-term liabilities | 27,958,477 | 1,832,144 | 2,602,476 | 32,393,097 | 5,912,161 |
| TOTAL LIABILITIES | 32,964,229 | 8,035,110 | 3,413,056 | 44,412,395 | 7,014,906 |
| Deferred inflows of resources: | | | | | |
| Deferred amount on pensions | 274,979 | 162,454 | 229,954 | 667,387 | 538,349 |
| Deferred amount on OPEB | 50,677 | 37,370 | 45,707 | 133,754 | 76,579 |
| Total deferred inflows of resources | 325,656 | 199,824 | 275,661 | 801,141 | 614,928 |
| Net Position: | | | | | |
| Net investment in capital assets | 101,601,123 | 53,016,064 | 63,557,298 | 218,174,485 | 3,301,305 |
| Restricted for construction | 2,252,380 | 6,030,179 | 7,413,394 | 15,695,953 | |
| Restricted for debt service & other purposes | 89,379 | 14,312 | 17,504 | 121,195 | 29,330 |
| Unrestricted | 27,454,149 | 2,344,777 | 2,486,726 | 32,285,652 | (25,181) |
| TOTAL NET POSITION | \$131,397,031 | \$61,405,332 | \$73,474,922 | 266,277,285 | \$3,305,454 |
| | | | | (883,596) | |
| Adjustment to reflect the consolidation of internal service fund activities | | | | (883,596) | |
| Net position of business-type activities | | | | \$265,393,689 | |

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2019

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|--|---|-------------------|---------------------|----------------------|--|
| | Water Fund | Sewer Fund | Storm Drain Fund | Totals | |
| Operating revenues: | | | | | |
| Charges for services | \$15,411,282 | \$4,349,175 | \$6,048,799 | \$25,809,256 | \$21,061,502 |
| Installation fees | 33,835 | | | 33,835 | |
| Erosion control fees | | | 203,040 | 203,040 | |
| Lease income | 88,526 | | | 88,526 | |
| Miscellaneous revenues | 413,315 | 167,427 | 40,622 | 621,364 | 661,748 |
| TOTAL OPERATING REVENUES | 15,946,958 | 4,516,602 | 6,292,461 | 26,756,021 | 21,723,250 |
| Operating expenses: | | | | | |
| Personal services | 3,361,994 | 1,828,462 | 2,482,527 | 7,672,983 | 5,155,385 |
| Water purchases | 1,482,560 | | | 1,482,560 | |
| Administration charges from General Fund | 548,392 | 354,528 | 444,428 | 1,347,348 | |
| Right of way fee payment | 715,778 | 200,573 | 279,691 | 1,196,042 | |
| Insurance claims | | | | | 10,935,843 |
| Contract charges | | | | | 834,965 |
| Supplies, repairs, and services | 3,666,054 | 1,229,806 | 1,561,388 | 6,457,248 | 3,983,931 |
| Depreciation and amortization | 2,131,627 | 1,417,501 | 1,410,624 | 4,959,752 | 532,549 |
| TOTAL OPERATING EXPENSES | 11,906,405 | 5,030,870 | 6,178,658 | 23,115,933 | 21,442,673 |
| OPERATING INCOME (LOSS) | 4,040,553 | (514,268) | 113,803 | 3,640,088 | 280,577 |
| Nonoperating revenues (expenses): | | | | | |
| Interest on investments | 1,103,242 | 487,445 | 449,859 | 2,040,546 | 183,398 |
| Gain on sale of capital assets | 11,443 | 35,550 | 3,563 | 50,556 | |
| Interest expense | (914,810) | | | (914,810) | |
| Net loss from joint ventures | (823,785) | | | (823,785) | |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (623,910) | 522,995 | 453,422 | 352,507 | 183,398 |
| INCOME BEFORE CONTRIBUTIONS | 3,416,643 | 8,727 | 567,225 | 3,992,595 | 463,975 |
| Capital contributions: | | | | | |
| Systems development charge revenues | 1,271,117 | 94,241 | 609,221 | 1,974,579 | |
| Contributions, private developers and other gov | 11,208,555 | 1,028,144 | 2,505,023 | 14,741,722 | |
| TOTAL CAPITAL CONTRIBUTIONS | 12,479,672 | 1,122,385 | 3,114,244 | 16,716,301 | |
| CHANGE IN NET POSITION | 15,896,315 | 1,131,112 | 3,681,469 | 20,708,896 | 463,975 |
| TOTAL NET POSITION - BEGINNING (as previously reported) | 114,733,493 | 60,274,220 | 69,793,453 | 244,801,166 | 2,841,479 |
| Adjustment for amortization on water rights (Note III-G) | 767,223 | | | 767,223 | |
| TOTAL NET POSITION - AS RESTATED | 115,500,716 | 60,274,220 | 69,793,453 | 245,568,389 | |
| TOTAL NET POSITION - ENDING | \$131,397,031 | 61,405,332 | \$73,474,922 | \$266,277,285 | \$3,305,454 |
| Change in net position, above | | | | \$20,708,896 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | 65,726 | |
| Change in net position of business-type activities | | | | <u>\$20,774,622</u> | |

The notes to the basic financial statements are an integral part of this statement

**CITY OF BEAVERTON, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2019**

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|---|---|-------------------------|-------------------------|-------------------------|---|
| | Water Fund | Sewer Fund | Storm Drain Fund | Totals | |
| Cash flows from operating activities: | | | | | |
| Cash receipts from customers and miscellaneous revenue | \$15,079,037 | \$4,244,318 | \$6,108,434 | \$25,431,789 | \$637,863 |
| Cash receipts from interfund services provided to other funds | 347,548 | 133,941 | 7,360 | 488,849 | 21,061,502 |
| Cash payments to suppliers and for insurance claims | (3,836,921) | (881,375) | (655,727) | (5,374,023) | (15,212,767) |
| Cash payments to employees | (2,668,690) | (1,624,300) | (2,312,972) | (6,605,962) | (4,569,564) |
| Payments for overhead allocation, interfund services used, and right of way to General Fund | <u>(2,390,635)</u> | <u>(1,347,046)</u> | <u>(1,595,735)</u> | <u>(5,333,416)</u> | <u>(537,515)</u> |
| NET CASH FROM OPERATING ACTIVITIES | <u>6,530,339</u> | <u>525,538</u> | <u>1,551,360</u> | <u>8,607,237</u> | <u>1,379,519</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Interest expense | (805,129) | | | (805,129) | |
| Purchase of equity in joint venture | (1,412,772) | | | (1,412,772) | |
| Acquisition of capital assets | (11,771,008) | (1,174,100) | (2,457,562) | (15,402,670) | (956,945) |
| Principal paid on bonds and contracts | (1,379,865) | | | (1,379,865) | |
| Proceeds from disposition of capital assets | 11,443 | 35,550 | 3,563 | 50,556 | |
| Systems development charge revenues | 1,271,117 | 94,240 | 666,814 | 2,032,171 | |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(14,086,214)</u> | <u>(1,044,310)</u> | <u>(1,787,185)</u> | <u>(16,917,709)</u> | <u>(956,945)</u> |
| Cash flows from investing activities: | | | | | |
| Interest received | 1,086,171 | 479,990 | 445,125 | 2,011,286 | 181,921 |
| NET INCREASE IN CASH AND INVESTMENTS | (6,469,704) | (38,782) | 209,300 | (6,299,186) | 604,495 |
| CASH AND INVESTMENTS - Beginning of year | <u>32,889,327</u> | <u>12,852,633</u> | <u>11,630,704</u> | <u>57,372,664</u> | <u>4,948,515</u> |
| CASH AND INVESTMENTS - End of year | <u>\$26,419,623</u> | <u>\$12,813,851</u> | <u>\$11,840,004</u> | <u>\$51,073,478</u> | <u>\$5,553,010</u> |

The notes to the basic financial statements are an integral part of this statement.

**CITY OF BEAVERTON, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS, Continued
 For the Fiscal Year Ended June 30, 2019**

| | Business-Type Activities - Enterprise Funds | | | Totals | Governmental Activities Internal Service Funds |
|---|---|------------------|---------------------|--------------------|---|
| | Water Fund | Sewer Fund | Storm Drain Fund | | |
| Reconciliation of operating income to net cash from operating activities: | | | | | |
| Operating income (loss) | \$4,040,553 | (\$514,268) | \$113,803 | \$3,640,088 | \$280,577 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | | |
| Depreciation and amortization | 2,131,627 | 1,417,501 | 1,410,624 | 4,959,752 | 532,549 |
| Pension expense | 599,875 | 180,944 | 133,176 | 913,995 | 450,566 |
| OPEB expense | 59,890 | (14,420) | 22,854 | 68,324 | (18,400) |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | (460,925) | (654,733) | (220,835) | (1,336,493) | (23,884) |
| Other receivables and other assets | (60,798) | | | (60,798) | |
| Inventory of materials and supplies | (39,292) | 1,445 | 22,115 | (15,732) | 8,057 |
| Accounts payable | (145,589) | (451,255) | 5,757 | (591,087) | (3,599) |
| Due to other governments | 370,109 | 522,686 | 50,341 | 943,136 | |
| Accrued salaries and payroll taxes | 28,049 | 20,060 | 12,356 | 60,465 | 67,810 |
| Other accrued liabilities | 1,350 | | | 1,350 | |
| Compensated absences | 5,490 | 17,578 | 1,169 | 24,237 | 85,843 |
| TOTAL ADJUSTMENTS | 2,489,786 | 1,039,806 | 1,437,557 | 4,967,149 | 1,098,942 |
| NET CASH FROM OPERATING ACTIVITIES | \$6,530,339 | \$525,538 | \$1,551,360 | \$8,607,237 | \$1,379,519 |
| Schedule of non-cash transactions: | | | | | |
| Reduction in investments in joint ventures due to net loss in joint venture operations | (\$823,785) | | | (\$823,785) | |
| Contributions, private developers and other govt. | \$10,911,637 | \$911,124 | \$2,079,456 | \$13,902,217 | |
| Easements and rights-of-way conveyed to the City | \$102,539 | \$25,942 | \$425,567 | \$554,049 | |

The notes to the basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Beaverton (City), Oregon 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 City's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the City of Beaverton, Oregon (the primary government) and its component unit, the Beaverton Urban Redevelopment Agency (Agency). The component unit is blended and reported as if it is part of the City.

The City of Beaverton, Oregon, was incorporated in 1893 and operates under the provisions of its own charter and applicable State law, with a Mayor-Council form of government. The Mayor is the Chief Executive of the City and chairs City Council meetings. The Mayor does not vote, except in the event of a tie. The Mayor may veto an ordinance or other legislative enactment; the Council may override the veto by a four-fifths vote. The City Council (the "Council") is comprised of five members. The Mayor serves a four-year term. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Finance Director, other officers, and department directors are appointed by the Mayor.

The City of Beaverton provides a full range of municipal services to the community which includes police protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation, building inspection and regulation, library, municipal court and other services. Fire protection services are provided by Tualatin Valley Fire and Rescue and park services are provided by Tualatin Hills Park and Recreation District.

Blended Component Unit – The Beaverton Urban Redevelopment Agency is a legally separate public body created by ordinance of the City in March 2010 and approved by the voters in November 2011. The Agency's governing body is substantively the same governing body of the City as the governing board and consists of members of the City Council, Mayor and three citizens. Additionally, the City's management has operational responsibility for the Agency as it manages the activities of the Agency in essentially the same manner in which it manages the City's own operations.

The Agency receives funds through tax increment financing pursuant to Oregon Revised Statutes (ORS) 457.420 through 457.450. Separate financial statements for the Agency can be obtained from the finance department of the City of Beaverton, 12725 SW Millikan Way, Beaverton, Oregon 97005.

The accounts of the City and its component unit are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances (net position), revenues, expenditures (expenses) and deferred inflows/outflows of resources.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise (business-type) funds are reported as separate columns in the fund financial statements. Nonmajor 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 other supplemental information.

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary funds financial statements are presented on the full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, and court fines revenues are recognized when fines are assessed and become due. Grants and similar items are recognized as revenue as soon as all eligible and reimbursable expenditures are incurred.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's ongoing operations. The operating revenues of the City's enterprise funds include but are not limited to, charges to customers for water, sewer and storm drain service. Significant operating expenses include personnel, materials and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues, expenses and contributions.

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets, liabilities and deferred inflows of resources generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in those items. These funds use the modified accrual basis of accounting

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

whereby revenues are recognized when they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used 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 are recorded when a related fund liability is incurred, except for interfund transactions which are recorded on the accrual basis and interest on general long-term debt which is recorded as due. Significant governmental funds revenues which were subject to accrual at June 30, 2019 under the modified accrual basis of accounting were as follows: property taxes, municipal court fines, state, county, and local shared revenues.

In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized. Thus, the expense and related accrued liability for long term portions of debt, compensated absences, pension and other post-employment benefits (OPEB) are included. Also in the government-wide financial statements, certain indirect costs have been included as part of the program expenses for the various functional activities.

Other receipts become measurable and available when cash is received and recognized as revenue at that time, except for revenues for grants and shared revenues which are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met.

Deferred inflow of resources arises in the governmental funds’ balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This deferred inflow of resources consists primarily of uncollected property taxes and municipal court fines not deemed available to finance operations of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability.

Deferred outflow of resources arises in the statement of activities when consumption of resources that results in either a net decrease in assets or a net increase in liabilities are related to a future period.

In the government-wide Statement of Net Position, deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB amounts are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements’ governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

The City reports the following major governmental funds:

- **General Fund**
This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, right of way revenues, state and county shared revenues, fines and forfeitures. Primary expenditures are for general government, planning and development, engineering services, and public safety.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

- **Street Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from county and state motor fuel taxes apportioned from the State of Oregon, and restricted for expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.
- **Library Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from a county library special levy, property taxes levied and donations received and restricted for operation of the City library.
- **Capital Development Fund (Capital Projects Fund)**
Accounts for the acquisition and construction of major capital facilities. Bond sale proceeds and transfers from other funds are major sources of this fund.

The City reports the following major proprietary funds:

- **Water Fund (this fund consists of three budgetary funds, Water Operating Fund, Water Debt Service Fund, and Water Construction Fund)**
- **Sewer Fund**
- **Storm Drain Fund**

These funds account for the operations, maintenance, debt service and capital construction projects for water, sewer and stormwater which are funded mostly through monthly user fees, system development fees, utility surcharge revenues and bond sale proceeds.

Additionally, the City reports nonmajor funds within the governmental fund type as follows:

- **Special Revenue Funds** to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.
- **Debt Service Funds** to account for the accumulation of resources and payment of principal and interest on general obligation, special revenue debt service, local improvement districts, and other long-term debt of governmental funds.
- **Capital Projects Fund** to account for the construction of transportation capital improvement projects.

Additionally, the City reports the following fund type:

- **Internal service funds** account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City's internal service funds include Reprographics, Garage, Information Systems, Public Works Administration, and Insurance. The aggregate of all internal service funds are reflected in the proprietary fund financial statements, and consolidated into the governmental activities column in the Government Wide Statements.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash and Investments

The City reports cash and investments at fair value in a common pool. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total pooled cash and investments.

2. Receivables

Property taxes receivable and court fines receivable of the governmental fund types, which have been collected within 60 days subsequent to year end, are considered measurable and available and therefore are recognized as revenues in the fund financial statements. The remaining balances of the receivable are offset by deferred inflow of resources. Property taxes become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Property taxes are levied on November 15. Taxes unpaid and outstanding as of May 16 are considered delinquent. Court fines receivables are turned over to an external collection agency after approximately 180 days, and the receivable balance reflects historical collection rate. The court fines receivable is partially offset by the amount collected on behalf of the State of Oregon and Washington County that are shown as due to other governments in the liabilities section.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed. The enterprise fund receivables relate to billings for residential and commercial customers that utilize the City's water, sewer and storm drain services. Receivables in enterprise funds are stated net of an allowance for uncollectibles.

3. Inventory of Materials and Supplies

Inventory in the proprietary fund types, determined by physical count, are recorded at cost (first-in, first-out basis) and are charged to expense as used (consumption method).

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., streets and roads, bridges, sidewalks, water reservoirs, water, sewer and storm lines, and similar items), and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. The City has elected to include its costs of rights of way acquired subsequent to July 1, 1980 as part of infrastructure. The City has also elected not to report infrastructure acquired prior to July 1, 1980. The threshold for capitalized equipment and improvements is \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Estimated useful lives used in computing depreciation are:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Equipment and Software | 2-10 |
| Heating and Cooling System | 40 |
| Buildings and improvements | 50 |
| Infrastructure, utilities | 50-65 |
| Infrastructure, street | 40-75 |

5. Investments in Joint Ventures

Investments in joint ventures with other governmental units are reported at cost plus or minus the City's share of operating income or loss (Note II. E).

6. Intangible Assets

Intangible assets consist of water rights, easements, and internally developed software. All internally developed software is amortized on the straight-line method over the estimated useful lives. Water rights are not subject to amortization since they are deemed to have indefinite useful life.

7. Compensated Absences

Earned but unpaid compensatory time is recorded as an expense in the proprietary fund types and government-wide statements. In the Statement of Net Position, the current portion of the compensated absences balance is separately reported as amount due within one year in the long term liability section. There is no liability for unpaid accumulated sick leave since the City has a policy to not pay any amounts when employees retire or are terminated.

8. Long-Term Debt

In the government-wide financial statements and also in the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are amortized using the straight-line method, which approximates the effective interest method, over the related debt repayment period. Unamortized bond discount costs or premiums are offset against or added to bonds payable. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pension Liability and Other Post Employment Benefits

In government-wide financial statements, pensions and other postemployment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension and other postemployment expenses on the modified accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

The OPEB liability for the City is comprised of two separate plans – an implicit rate subsidy for retiree health insurance premiums, and a contribution to the OPERS cost-sharing multiple-employer defined health insurance benefit plan. Both plans measure the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB expense on an accrual basis.

11. Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. 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 passes a resolution that places specific constraints on how the resources may be used. The Council action that imposed the limitation would need to occur no later than the close of the reporting period. The City Council can modify or rescind the legislative action at any time through passage of an additional resolution.

The net resources that are constrained by the City's intent to use them are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be set aside for specific purposes during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned in the City's fund financial statements. The City's assigned fund balance category also reflects the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's adopted budget, as well as the encumbered amounts that represents commitments of the City's resources. 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.

The City does not have an established policy on the spending order of restricted or unrestricted fund balances. As a result, it is assumed that restricted resources are spent first when expenditures are incurred; when unrestricted resources are spent, the order of spending is committed, assigned, and unassigned fund balance when available.

12. Net Position

Net position whose use is restricted for construction, debt service or by other agreement is segregated on the government-wide Statement of Net Position and the Proprietary Fund Statement of Net Position. When both restricted and unrestricted net positions are available, the City will apply restricted resources as appropriate, then unrestricted as necessary.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

13. Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Pooled Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Governmental activities and business-type activities portions of this pool are displayed on the government-wide Statement of Net Position as “Cash and Investments”. Oregon Revised Statutes (ORS) authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City's investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the City Council. The policy specifies the City's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

Cash and investments are comprised of the following at June 30, 2019:

| | |
|--------------------------------------|---------------|
| Cash on hand | \$381,089 |
| Cash with fiscal agent | 117,562 |
| Deposits with financial institutions | 18,217,712 |
| Investments | 117,239,558 |
| | \$135,955,921 |

The City participates in an external investment pool (State of Oregon Treasury Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

The City's position in the Pool at June 30, 2019 is stated at fair value.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Deposits with Financial Institutions

The City's deposits with financial institutions are insured up to levels defined by Federal laws, the Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA). Deposits with financial institutions are comprised of time deposits and bank demand deposits totaling \$20,394,838. Of these time deposits and bank demand deposits, \$992,487 was covered by FDIC insurance and \$250,000 was covered by NCUA insurance. For the \$19,152,351 deposits in excess of FDIC and NCUA insurance, the ORS requires that deposit accounts in excess of the deposit insurance limits are only maintained at financial institutions included on a list of qualified depositories as determined by the Office of the State Treasurer. The City was in compliance with the ORS requirement.

Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates and to allow investment maturities to coincide with projected needs, the City's investment policy does not allow direct investment in securities maturing more than five years from the date of purchase. The only exception to the five year maturity maximum is reserve or program monies may be invested in securities exceeding five years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

The City's fair market value of investments as of June 30, 2019 are summarized below:

| | Fair Market Value | Less than 12 Months | 12-18 Months | Greater than 18 Months |
|---|--------------------------|--------------------------------|---------------------|-----------------------------------|
| US Treasury | \$29,885,740 | \$9,952,550 | \$11,930,460 | \$8,002,730 |
| Federal Agencies | 60,034,550 | 9,981,450 | | 50,053,100 |
| Corporate Bonds | 1,997,620 | 1,997,620 | | |
| Municipal Bonds | 2,091,160 | | | 2,091,160 |
| State of Oregon Local Government Investment Pool | 23,230,488 | 23,230,488 | | |
| Total Investments | \$117,239,558 | \$45,162,108 | \$11,930,460 | \$60,146,990 |

Credit Risk

The City's investment policy limits the type of investments to no more than 10% in commercial paper, United States agency secondary securities and repurchase agreements; 20% in municipal obligations (Oregon, California, Idaho and Washington), bank time deposits/savings accounts, banker's acceptance and certificates of deposit; 25% in corporate bonds. There are no portfolio limits to United States treasury obligations and United States government agency securities. As of June 30, 2019, the Oregon Short-Term Fund (LGIP) is limited to \$49,500,000 per Oregon Revised Statute 294.810.

The minimum allowable credit rating criteria the City's investment policy authorizes for issuers of commercial paper is limited to those rated A1/P1 or better by Standard & Poor's (S&P) and Moody's Investors Service. Corporate indebtedness must have a minimum long term debt rating of AA- by S&P or an Aa3 rating by Moody's Investors Service. Municipal obligations must have a minimum long-term rating of AA- by S&P or Aa3 by Moodys. Institutions issuing a banker's acceptance agreement shall have a rating of at least AA- Underlying by S&P or Aa3 Underlying by Moody's Investors. The Oregon Short-Term Fund is not rated. As of June 30, 2019, the City's investments in United States treasury obligations, government agency securities and Apple, Inc. corporate bonds are rated AA+ by S&P. The City's investment in

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Microsoft Corporation corporate bonds is rated AAA by S&P. All investments are in compliance with the City's investment policy.

Concentration of Credit Risk

| <u>Issuer</u> | <u>Fair Market Value</u> | <u>Percent of Holdings</u> | <u>Maximum Allowable % of Holdings</u> |
|-------------------------------|-----------------------------|----------------------------|--|
| FFCB | \$19,479,920 | 14.97% | 100.00% |
| FHLB | 20,533,320 | 15.79% | 100.00% |
| FHLMC | 14,039,610 | 10.80% | 100.00% |
| FNMA | 5,981,700 | 4.60% | 100.00% |
| Corporate Bonds | 1,997,620 | 1.54% | 25.00% |
| Municipal Bond | 2,091,160 | 1.61% | 25.00% |
| US Treasury | 29,885,740 | 22.99% | 100.00% |
| Oregon Short-Term Fund (LGIP) | 23,230,488 | 17.87% | ** |
| Sub-total | <u>117,239,558</u> | | |
| Certificates of Deposit | <u>12,779,350</u> | <u>9.83%</u> | 20.00% |
| Total Investments | <u><u>\$130,018,908</u></u> | <u><u>100.00%</u></u> | |

**Maximum allowed per ORS 294.810

Fair Value Measurement

The City categorizes its fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect observable inputs including, but not limited to, quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the assets (such as exchange rates, financing terms, interest rates, yield curves, volatilities, loss severities, credit risk and default rates) or other market-corroborated inputs; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City reports investments at fair market value. U.S. agency and U.S. treasury obligations are Level 1 investments. The City's corporate and municipal bonds are Level 2 investments and are valued using the Market Approach. Investments in LGIP are not subject to level designation.

B. Receivables

Receivables as of year end for the City's individual major and nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are presented on the face of the governmental and proprietary fund financial statements. The property tax receivables not expected to be collected within one year are \$317,884 in the General Fund, \$35,886 in the Library Fund, and \$60,097 in the nonmajor governmental funds. The court fine receivable not expected to be collected within one year is \$1,590,788. Of this amount \$1,287,266 is the City's revenue and \$303,522 is due to other governments. In the nonmajor governmental funds, \$385,543 of the transportation development tax receivable is not expected to be collected within one year.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Due from other funds in the General Fund and due to other funds in the nonmajor governmental funds are made to cover for the negative cash balance in the Community Development Block Grant Fund that operates on a reimbursement basis.

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2019 was as follows:

| <u>Description</u> | <u>Beginning Balance 6/30/18</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance 6/30/19</u> |
|--|--|---------------------|----------------------|---------------------------------------|
| Non-depreciable Capital Assets | | | | |
| Land | \$14,779,200 | \$1,183,674 | | \$15,962,874 |
| Intangible assets - easements, ROW | 8,599,837 | 239,225 | | 8,839,062 |
| Incomplete internally developed sftwr | 382,970 | 176,579 | (\$84,247) | 475,302 |
| Construction in progress | 7,282,318 | 14,423,872 | (2,997,386) | 18,708,804 |
| Total capital assets not being depreciated | <u>31,044,325</u> | <u>16,023,350</u> | <u>(3,081,633)</u> | <u>43,986,042</u> |
| Depreciable Capital Assets: | | | | |
| Intangible assets, internally dev sftwr | 2,780,033 | 396,470 | (21,454) | 3,155,049 |
| Buildings and improvements | 51,615,488 | 2,510,713 | (2,816,526) | 51,309,675 |
| Machinery and equipment | 17,932,565 | 1,361,983 | (905,188) | 18,389,360 |
| Infrastructure - street | 143,709,635 | 9,179,957 | | 152,889,592 |
| Total depreciable capital assets | <u>216,037,721</u> | <u>13,449,123</u> | <u>(3,743,168)</u> | <u>225,743,676</u> |
| Less accumulated depreciation for: | | | | |
| Intangible assets, internally dev sftwr | (1,406,056) | (343,222) | 21,454 | (1,727,824) |
| Buildings and improvements | (17,095,009) | (1,206,612) | 1,696,260 | (16,605,361) |
| Machinery and equipment | (11,771,936) | (858,008) | 629,224 | (12,000,720) |
| Infrastructure - street | (36,107,844) | (2,840,724) | | (38,948,568) |
| Total accumulated depreciation | <u>(66,380,845)</u> | <u>(5,248,566)</u> | <u>2,346,938</u> | <u>(69,282,473)</u> |
| Total capital assets being depreciated, net | <u>149,656,876</u> | <u>8,200,557</u> | <u>(1,396,230)</u> | <u>156,461,203</u> |
| Governmental activities capital assets, net | <u>\$180,701,201</u> | <u>\$24,223,907</u> | <u>(\$4,477,863)</u> | <u>\$200,447,245</u> |

Depreciation expense for governmental activities is charged to functions as follows:

| | |
|---|--------------------|
| Public safety | 216,538 |
| Highways and streets | 2,986,168 |
| Education | 365,640 |
| Cultural and recreation | 145,872 |
| Total depreciation for governmental activities | <u>\$5,248,566</u> |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Capital asset activity for business-type activities for the year ended June 30, 2019 was as follows:

| Description | Beginning Balance 6/30/18 | Restatement (Note III-G) 7/1/18 | Increases | Decreases | Ending Balance 6/30/19 |
|--|--|--|---------------------|--------------------|---------------------------------------|
| Non-depreciable Capital Assets: | | | | | |
| Land | \$2,678,202 | | | | \$2,678,202 |
| Intangible assets | 7,691,220 | | \$554,049 | | 8,245,269 |
| Intangible Water Rights | | \$838,941 | | | 838,941 |
| Construction - Work in Progress | 10,327,758 | | 5,752,642 | (\$694,822) | 15,385,578 |
| Total capital assets not being depreciated | 20,697,180 | 838,941 | 6,306,691 | (694,822) | 27,147,990 |
| Depreciable Capital Assets: | | | | | |
| Buildings and improvements | 538,221 | | | | 538,221 |
| Intangible Water Rights | 838,941 | (838,941) | | | |
| Machinery and equipment | 7,385,652 | | 672,473 | (393,006) | 7,665,119 |
| Infrastructure - utilities | 244,496,323 | | 23,637,828 | (59,232) | 268,074,919 |
| Total depreciable capital assets | 253,259,137 | (838,941) | 24,310,301 | (452,238) | 276,278,259 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buildings and improvements | (468,781) | | (3,589) | | (472,370) |
| Intangible Water Rights | (767,223) | 767,223 | | | |
| Machinery and equipment | (3,858,237) | | (536,026) | 353,005 | (4,041,258) |
| Infrastructure - utilities | (65,078,406) | | (4,420,137) | 59,232 | (69,439,311) |
| Total accumulated depreciation | (70,172,647) | 767,223 | (4,959,752) | 412,237 | (73,952,939) |
| Total capital assets being depreciated, net | 183,086,490 | | 19,350,549 | (40,001) | 202,397,038 |
| Business-type activities capital assets, net | \$203,783,670 | \$767,223 | \$25,657,240 | (\$734,823) | \$229,473,310 |

Depreciation expense for business-type activities is charged to functions as follows:

| | |
|---|--------------------|
| Water | \$2,131,627 |
| Sewer | 1,417,501 |
| Storm water | 1,410,624 |
| Total depreciation for business-type activities | <u>\$4,959,752</u> |

D. Interfund Transfers and Loans

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and resources for payment of debt services. The \$544,014 transfer from the General Fund is a pass through transfer and is the residual balance of the Street Lighting Fund which is in the process of being closed out to the Street Fund. Transfers to the Capital Development fund includes gas station acquisition, demolition and remediation (\$890,000), property acquisitions (\$100,000), and miscellaneous projects (\$100,056). The \$259,108 transfer to the Library Fund is to assist with the purchase of library materials and funding for additional hours and safety of operation. Transfers from General Fund to nonmajor governmental

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

funds includes \$556,127 to fund the arts program, \$202,621 to fund sidewalk improvements, \$110,007 for various capital projects and \$53,860 for debt service assistance. The \$3,733 Street Fund transfer to the Capital Development Fund is for miscellaneous street projects and transfers to nonmajor funds includes \$828,267 for sidewalk improvements, \$136,112 for bridge pile repair and \$100,097 for miscellaneous street projects.

The \$805,126 transfers from nonmajor funds to the General Fund include \$261,112 from the Building Operating Fund to pay back subsidies received in prior years and \$544,014 from the Street Lighting Fund which is being closed out (as mentioned above). The \$72,635 transfer from the nonmajor fund to the Street Fund is to close out a completed project; the \$378,085 transfer to the Capital Development Fund from nonmajor funds is to fund the construction of the Patricia Reser Center for the Arts. The \$3,327,637 transfer between nonmajor governmental funds includes \$3,001,332 from BURA General Fund to the BURA Capital Project Fund for property purchases and parking garage center design and construction, \$164,193 from BURA General Fund to the BURA Debt Service Fund for loan payments and \$162,112 transfer from the Traffic Development Tax Fund to the Capital Project Fund to fund various transportation improvement projects.

Interfund transfers for the fiscal year ended June 30, 2019, consisted of the following:

| | Transfers In | | | | | Total |
|-------------------------------|---------------------|--------------------|---------------------------------|---------------------|------------------------------------|--------------------|
| | General Fund | Street Fund | Capital Development Fund | Library Fund | Nonmajor Governmental Funds | |
| Transfers Out | | | | | | |
| Governmental Funds: | | | | | | |
| General Fund | | \$544,014 | \$1,090,056 | \$259,108 | \$922,615 | \$2,815,793 |
| Street Fund | | | 3,733 | | 1,064,476 | 1,068,209 |
| Nonmajor Governmental Funds | \$805,126 | 72,635 | 378,085 | | 3,327,637 | 4,583,483 |
| Total Transfers in/out | \$805,126 | \$616,649 | \$1,471,874 | \$259,108 | \$5,314,728 | \$8,467,485 |

E. Investments in Joint Ventures

| | Joint Water Commission | Barney Reservoir | Willamette Intake Facilities | Total |
|---|-------------------------------|-------------------------|-------------------------------------|---------------------|
| Investment in joint ventures at June 30, 2018 | \$15,375,914 | \$5,043,074 | \$249,151 | \$20,668,139 |
| Investment | 1,192,546 | 11,679 | 91,210 | 1,295,435 |
| Loss for the year | (653,357) | (167,391) | (3,037) | (823,785) |
| Investment in joint ventures at June 30, 2019 | <u>\$15,915,103</u> | <u>\$4,887,362</u> | <u>\$337,324</u> | <u>\$21,139,789</u> |

Joint Water Commission

In April 1979, the City purchased an interest in the Joint Water Commission (“JWC”) to provide joint operations for the supply, pumping, treatment, and transmission of potable water. This agreement was established between the City of Hillsboro, the City of Forest Grove, and the City of Beaverton. Effective July 1994, the JWC expanded its membership to include Tualatin Valley Water District (“TVWD”). The JWC is governed by three members from each entity. The City of Beaverton currently has a 25% ownership of JWC facilities.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Barney Reservoir Joint Ownership Commission

The Barney Reservoir Joint Ownership Commission (“BRJOC”) was formed to own, operate, and expand the J.W. Barney Reservoir (a dam on the Trask River in the coastal mountains). The BRJOC is governed by one member from each entity. The City of Beaverton currently has a 21.5% ownership (4,300 acre feet) of the Barney Reservoir.

Willamette Intake Facilities Commission

During fiscal year 2018, the City of Beaverton became a partner in the Willamette Intake Facilities (WIF). WIF was established as a component of the Willamette Water Supply Program (WWSP). The purpose of WIF is to draw water from the Willamette River to a location where the raw, untreated water can then be conveyed to water treatment plants. The City has a 3.3% ownership (estimated capacity of 5 MGD). The WWSP is preparing to upgrade and expand existing raw water intake facilities to a total capacity of 150 MGD.

The investments in the joint ventures were recorded at cost in the Water Fund, and the City’s share of the annual net income or loss of the Joint Water, Barney Reservoir and Willamette Intake Joint Ventures is used to adjust the ending balance of the City’s equity interest in the joint ventures. Financial statements for Joint Water Commission and Barney Reservoir Commission may be obtained from the City of Hillsboro, Finance Department at 150 East Main St., Fifth Floor, Hillsboro, Oregon 97123. Financial statements for Willamette Intake Facilities Commission may be obtained from Tualatin Valley Water District, Finance Department at 1850 SW 170th Avenue, Beaverton, Oregon 97003.

F. Lease Obligations

Governmental Activities Operating Lease

Since May of 2010, the City leased 7,032 square feet of office space in a commercial building in Murray Scholls Town Center for the branch library that opened in June 2010. Over time, community demand for library services at the branch library has exceeded expectations. During fiscal year 2015 the City negotiated a new lease to add square footage to a total of 10,418 square feet to the branch library operation to meet the increasing community need. The term of the new lease agreement is from May 1, 2015 to January 31, 2026 with an option to extend for two (2) additional periods of five (5) years each. The cost for the lease was \$178,968 for the year ended June 30, 2019, and the minimum lease payment for the future years are as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|----------------------------|----------------------------------|
| 2020 | \$182,544 |
| 2021 | 186,200 |
| 2022 | 189,924 |
| 2023 | 193,724 |
| 2024 | 197,600 |
| 2025 - 2026 | <u>269,172</u> |
| TOTAL | <u><u>\$1,219,164</u></u> |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

G. Long-term debt

Governmental Activities Long-term Loan Payable

In June of 2007, the City borrowed \$1,000,000 to finance the construction costs of the Beaverton Central Heating and Cooling Plant expansion. The loan was issued from the State of Oregon Department of Energy through a Small Scale Energy Loan Program. The principal and interest payments of the remaining loan will be made with the revenues received from customers of the Plant. Future maturities are as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|----------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$89,759 | \$16,930 |
| 2021 | 96,080 | 10,608 |
| 2022 | 102,841 | 3,842 |
| TOTALS | <u>\$288,680</u> | <u>\$31,380</u> |

General Obligation Bonds

The City issues general obligation (GO) bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Principal and interest payments are paid solely from property tax revenues.

2017 GO Bonds

On February 8, 2017 the City issued \$33,845,000 in general obligation bonds to pay for the capital costs of constructing and equipping an earthquake-resistant public safety center on property already owned by the City. The following is the City's debt service requirements for the 2017 GO bonds and the stated interest rates for respective maturity years:

| <u>Year Ending June 30</u> | <u>Interest Rates</u> | <u>Governmental Activities</u> | |
|----------------------------|-----------------------|--------------------------------|---------------------|
| | | <u>Principal</u> | <u>Interest</u> |
| 2020 | 3.00% | \$815,000 | \$1,130,621 |
| 2021 | 3.00% | 900,000 | 1,106,171 |
| 2022 | 3.00% | 995,000 | 1,079,171 |
| 2023 | 3.00% | 1,090,000 | 1,049,321 |
| 2024 | 5.00% | 1,195,000 | 1,016,621 |
| 2025-2029 | 3.00-5.00% | 8,050,000 | 4,117,756 |
| 2030-2034 | 3.00-3.12% | 11,685,000 | 2,563,256 |
| 2035-2037 | 3.12-3.20% | 9,115,000 | 593,706 |
| | | 33,845,000 | |
| Unamortized Premium | | 1,015,286 | |
| TOTALS | | <u>\$34,860,286</u> | <u>\$12,656,623</u> |

Special Revenue Bonds – Governmental

In October 2013, the City issued \$7,000,000 Special Revenue Bonds and placed \$5,700,000 in the Capital Development Fund to construct improvements to the Beaverton Building at The Round at Beaverton Central. The remaining \$1,300,000 was used as a reimbursement to the General Fund for a portion of the purchase of the building. The City purchased the Beaverton Building in April 2012 in the amount of \$8,841,109

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

(\$8,041,109 from the General Fund and \$800,000 from the Capital Development Fund), and it became the new City Hall in August 2014.

The Special Revenue Bonds will be payable solely from franchise fees, and the following is the City's debt service requirements to maturity:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|----------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$1,062,410 | \$21,648 |
| 2021 | 359,620 | 1,732 |
| TOTALS | <u>\$1,422,030</u> | <u>\$23,380</u> |

Beaverton Urban Renewal Agency (BURA) Non-Revolution Multi-Draw Line of Credit

In 2017 the City Council and BURA Board authorized a special revenue non-revolving line of credit not to exceed \$19 million to provide financing for projects within the central Beaverton Urban Renewal Redevelopment District. The Letter of Credit is in the form of an Urban Renewal Note Series 2017 and a City of Beaverton Revenue Bond Series 2017, as was sold in a negotiated sale to Key Government Finance, Incorporated. This debt is also commonly referred to as the Non-Revolution Multi-Draw Line of Credit, and the Borrower is listed as the Beaverton Urban Redevelopment Agency.

The new bonds will be backed by BURA tax increment payments and also by the City's non-property tax revenue including franchise fees, fines, forfeitures or any other non-property tax revenues that the City pledges to payment of the special revenue bonds. Interest rate on the outstanding line of credit balance is a variable rate tied to the London Interbank Offered Rate (LIBOR) plus 1.90%. As of June 30, 2019, the LIBOR rate was 2.4024%. The interest rate for the unused portion of the line of credit is 25 basis points (.25%).

As of June 30, 2019, the line of credit activity is as follows:

| <u>Maximum Draw</u> | <u>Draw Date</u> | <u>Principal Draw</u> | <u>Remaining Draw Available</u> |
|---------------------|------------------|-----------------------|---------------------------------|
| \$19,000,000 | 03/29/2017 | (\$2,921,900) | \$16,078,100 |

Land purchase note payable -

In January 2018, BURA, City's blended component unit, entered into a four year property purchase contract to acquire approximately 1.43 acres of land and three buildings near City Hall. The property is comprised of three adjacent properties on SW Canyon Road and SW Beaverdam Road. This property was purchased for land assembly and redevelopment purposes consistent with the Central Beaverton Urban Renewal Plan. After the initial \$500,000 payment at closing, \$1,835,000 note will be paid in four installment payments at the interest rate of 3.9% as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|----------------------------|--------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$449,646 | \$54,687 |
| 2021 | 467,081 | 37,252 |
| 2022 | 485,505 | 18,935 |
| TOTALS | <u>\$1,402,232</u> | <u>\$110,874</u> |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Land and building purchase note payable – Adelphos Holdings, LLC

In May 2019, BURA entered into a 4 year purchase contract to acquire approximately .59 acres of land and building adjacent to the properties mentioned above. The property is part of the Central Beaverton Urban Renewal District’s Transit-Oriented Area which is poised to serve as a major component of Beaverton’s downtown. This property will facilitate site assemblage for future development and is consistent with the Central Beaverton Urban Renewal Plan. After the initial \$623,759 payment at closing, a \$903,000 note was issued and will be paid in monthly installment payments at the annual interest rate of 5.0% as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|----------------------------|--------------------------------|------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$210,898 | \$38,647 |
| 2021 | 221,688 | 27,857 |
| 2022 | 233,030 | 16,515 |
| 2023 | 203,122 | 4,680 |
| TOTALS | <u><u>\$868,738</u></u> | <u><u>\$87,700</u></u> |

Revenue Bonds – Enterprise Funds

The City issues revenue bonds to finance major construction projects for business-type activities.

In 2018, The City issued \$18,125,000 Water Revenue Bonds, Series 2018 to finance all or a portion of the costs associated with additions, replacements, expansions or improvements to the City’s water system infrastructure and to pay costs of issuance on the 2018 Bonds. The bonds were issued at a premium of \$3,027,912 and net proceeds from the bond issue were \$21,152,912.

During fiscal year 2017, the City issued \$5,615,000 Water Revenue and Refunding Bonds, Series 2016 for the purpose of refunding in full the Water Revenue Bonds, Series 2006. The refunding was done to take advantage of the lower interest rate, but there was no economic gain or loss from the refunding. Over the life of the 2016 Bond refunding issue, the City will save \$675,977 in interest expense over the 2006 Bonds. Outstanding revenue bonds as of June 30, 2019 include the 2018 and 2016 water bonds.

The City covenants in the Master Water Bond Declaration to charge rates and fees in connection with the operation of the water system which, when combined with other gross revenues, are adequate to generate net revenues in each fiscal year at least equal to (a) 1.25 times the annual debt service due in that fiscal year for outstanding bonds, (b) 1.15 times the annual bond debt service in that fiscal year for outstanding bonds, excluding SDC improvement fees, (c) 1.00 times the annual bond debt service due in that fiscal year for any subordinate obligations (after subtracting the annual debt service from net revenues), and (d) any amounts owed by City to a Credit Provider for surety premium payments.

As of June 30, 2019 the City was in compliance with these requirements. The following is the City’s debt service requirements on the outstanding water revenue bonds:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

| Year Ending June 30 | Series 2016 | | Series 2018 | | TOTAL | |
|------------------------|---------------------------|-------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| | Principal | Interest (1.84%) | Principal | Interest (5.00%) | Principal | Interest |
| 2020 | \$600,000 | \$81,788 | \$570,000 | \$868,750 | \$1,170,000 | \$950,538 |
| 2021 | 610,000 | 70,748 | 600,000 | 840,250 | 1,210,000 | 910,998 |
| 2022 | 625,000 | 59,524 | 625,000 | 810,250 | 1,250,000 | 869,774 |
| 2023 | 635,000 | 48,024 | 660,000 | 779,000 | 1,295,000 | 827,024 |
| 2024 | 645,000 | 36,340 | 690,000 | 746,000 | 1,335,000 | 782,340 |
| 2025-2029 (a) | 1,330,000 | 36,800 | 4,010,000 | 3,176,500 | 5,340,000 | 3,213,300 |
| 2030-2034 | | | 5,120,000 | 2,068,000 | 5,120,000 | 2,068,000 |
| 2035-2038 | | | 5,100,000 | 653,000 | 5,100,000 | 653,000 |
| | <u>4,445,000</u> | <u>333,224</u> | <u>17,375,000</u> | <u>9,941,750</u> | <u>21,820,000</u> | <u>10,274,974</u> |
| Unamortized Premium | | | 2,876,516 | | 2,876,516 | |
| TOTALS | <u><u>\$4,445,000</u></u> | <u><u>\$333,224</u></u> | <u><u>\$20,251,516</u></u> | <u><u>\$9,941,750</u></u> | <u><u>\$24,696,516</u></u> | <u><u>\$10,274,974</u></u> |

(a) Series 2016 Bonds mature in 2026.

Contracts Payable

The City has two contracts payable with the U.S. Department of the Interior, Bureau of Reclamation for water rights at Scoggins Dam. The first contract is for 2,500 acre feet of water rights and the second contract is for 1,500 acre feet of water rights. Both contracts are due and payable in annual installments and bear interest at 3.5%. Because the imputed interest rate of 11% is greater than the 3.5% stated interest rate, there is an unamortized discount amount being amortized against the annual interest expense. The ending balance of both contracts at June 30, 2019 totals \$474,941 (net of \$206,314 unamortized discount).

| <u>Business-type Activities</u> | <u>Interest Rate</u> | <u>Balance</u> |
|---|----------------------|----------------|
| U.S. Department of Interior, Bureau of Reclamation - contract payable Scoggins Dam | 3.5% | \$681,255 |

Debt service requirements to maturity on contracts payable are as follows:

| <u>Year Ending June 30</u> | <u>Business-type Activities</u> | |
|----------------------------|---------------------------------|-------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$41,266 | \$23,844 |
| 2021 | 42,710 | 22,400 |
| 2022 | 44,204 | 20,905 |
| 2023 | 45,752 | 19,358 |
| 2024 | 47,353 | 17,756 |
| 2025-2029 | 212,636 | 63,594 |
| 2030-2034 | 170,491 | 31,760 |
| 2035-2036 | 76,843 | 4,057 |
| | <u>681,255</u> | <u>203,674</u> |
| Unamortized discount | (206,314) | |
| TOTALS | <u><u>\$474,941</u></u> | <u><u>\$203,674</u></u> |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Safe Drinking Water Revolving Loan

The City was awarded a Safe Drinking Water Revolving Loan from the State of Oregon Infrastructure Finance Agency (IFA) for up to \$5,000,000 of which \$750,000 is forgivable 90 days after the project completion date. The loan interest rate is 2.96% and the funding source for the loan is a mixture of State and Federal funds. During FY 18-19, the City did not have any drawdown on the loan, and the outstanding principal amount at June 30, 2019 is \$1,097,645. The repayment commencement date of the loan is ninety (90) days after the project completion date. The maturity date of the loan will be nineteen (19) years after the repayment commencement date.

Changes in Long-term Obligations and Compensated Absences

Long-term obligations and compensated absences activity for the year ended June 30, 2019, was as follows:

| Bonds and Obligations Payable and Compensated Absences | Beginning Balance 06/30/2018 | Additions | Reductions | Ending Balance 06/30/2019 | Due Within One Year |
|---|---|---------------------------|-----------------------------|--|--------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General obligation bonds | \$35,915,301 | | (\$1,055,014) | \$34,860,287 | \$872,741 |
| Direct Borrowings: | | | | | |
| Special revenue bonds | 2,460,203 | | (1,038,173) | 1,422,030 | 1,062,410 |
| Line of credit (BURA) | 2,921,900 | | | 2,921,900 | N/A |
| State Energy loan | 372,534 | | (83,854) | 288,680 | 89,759 |
| Ludeman's note | 1,835,000 | | (432,768) | 1,402,232 | 449,646 |
| Adelpho's note | | \$903,000 | (34,262) | 868,738 | 210,898 |
| Umrein note | 42,499 | | (42,499) | | |
| Compensated absences | 4,025,085 | 4,489,254 | (4,342,005) | 4,172,334 | 754,090 |
| TOTALS | <u>\$47,572,522</u> | <u>\$5,392,254</u> | <u>(\$7,028,575)</u> | <u>\$45,936,201</u> | <u>\$3,439,544</u> |
| <u>Business-Type Activities:</u> | | | | | |
| Series 2018 revenue bonds | \$21,152,912 | | (\$901,396) | \$20,251,516 | \$721,396 |
| Direct Borrowings: | | | | | |
| Series 2016 revenue bonds | 5,035,000 | | (590,000) | 4,445,000 | 600,000 |
| IFA loan | 1,097,645 | | | 1,097,645 | N/A |
| Contracts payable | 499,206 | | (24,265) | 474,941 | 25,579 |
| Compensated absences | 517,746 | \$577,452 | (553,215) | 541,983 | 83,788 |
| TOTALS | <u>\$28,302,509</u> | <u>\$577,452</u> | <u>(\$2,068,876)</u> | <u>\$26,811,085</u> | <u>\$1,430,763</u> |

Governmental activities - the City's special revenue bonds, line of credit, and note payables contain a provision that in an event of default, outstanding amounts may become immediately due unless waived by the lender. BURA also has an unused line of credit in the amount of \$16,078,100.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Business-type activities - The revenue bonds contain an article on defaults and remedies in the event of default in which the City covenants to increase its water rates and fees or reduce expenses to a level so that net revenues are projected to meet the required level as prescribed in the Master Water Bond Declaration. The note payable contract with IFA also contains a section that IFA may declare all payments immediately due upon any event of default.

Internal service funds predominantly serve the governmental funds. Accordingly, at year end, \$439,304 of internal service funds compensated absences is included in the governmental activities. The liability for compensated absences is liquidated within each individual budgetary fund. The pension and other postemployment liabilities for governmental activities are incurred and paid by each of the governmental type funds. Also, for the governmental activities, State Energy loan payables are liquidated by the General Fund and general obligation bonds and special revenue bonds are liquidated by debt service funds.

H. Fund Balance

The fund balance for governmental funds as of June 30, 2019 are as follows:

| | General Fund | Street Fund | Library Fund | Capital Development Fund | Other Governmental Funds | Total |
|------------------------------------|-------------------------|--------------------|-------------------------|---|---|---------------------|
| <u>Nonspendable:</u> | | | | | | |
| <u>Restricted:</u> | | | | | | |
| Capital projects | | | | \$22,663,976 | \$13,407,227 | \$36,071,203 |
| Road maintenance | | \$4,669,448 | | | | 4,669,448 |
| Education | | | \$2,269,543 | | | 2,269,543 |
| Debt service | | | | | 413,958 | 413,958 |
| Urban area economic development | | | | | 4,357,709 | 4,357,709 |
| Building inspections | | | | | | |
| Other purposes | | | | | 1,768,992 | 1,768,992 |
| | | 4,669,448 | 2,269,543 | 22,663,976 | 19,947,886 | 49,550,853 |
| <u>Committed to:</u> | | | | | | |
| Other purposes | | | | | 1,670,659 | 1,670,659 |
| Equipment replacement | \$1,030,206 | | | | | 1,030,206 |
| Street lighting | | | | | 34,265 | 34,265 |
| Capital projects | | | | 892,978 | 539,129 | 1,432,107 |
| | 1,030,206 | - | - | 892,978 | 2,244,053 | 4,167,237 |
| <u>Assigned to:</u> | | | | | | |
| Multi-year projects | 1,244,299 | | | | | 1,244,299 |
| Compensated absences | 2,996,889 | | | | | 2,996,889 |
| Appropriated fund balance | 5,138,683 | | | | | 5,138,683 |
| | 9,379,871 | | | | | 9,379,871 |
| <u>Unassigned:</u> | | | | | | |
| | 10,108,623 | | | | | 10,108,623 |
| Total Fund Balances | \$20,518,700 | \$4,669,448 | \$2,269,543 | \$23,556,954 | \$22,191,939 | \$73,206,584 |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

I. Tax Abatements

For the fiscal year ended June 30, 2019, the City provided tax abatements through four programs – City of Beaverton Annexation Rebate Program, Enterprise Zone (ORS 285C.175), Nonprofit Corporation Low Income Housing Program (ORS 307.541) and Vertical Housing Development Zone (ORS 307.864):

- The Annexation Rebate Program is administered through the City and provides a property tax abatement incentive for the annexation of property to the City of Beaverton for development. The rebate is part of an annexation agreement approved by the City Council and is available to significant future tax payers as an annexation incentive. The rebate is limited to the amount of city operating tax levy, not including debt service. The total amount of tax rebates for FY 18-19 was \$148,333.
- The Enterprise Zone (E-Z) Program, administered by the State of Oregon, serves as an economic development incentive for investment in buildings, machinery and equipment mostly for the industrial or warehousing sectors. A minimal amount of job creation is also required. Depending on the wages and benefits offered, the tax exemption can extend past the normal period of three years and run as long as five years. The amount of exemption is limited to the value of the new property improvements for equipment or machinery. The amount of tax exemptions extends to all taxing jurisdictions including the City of Beaverton and the Beaverton Urban Redevelopment Agency (BURA). See ORS 285C.050 to 285C.2580 for eligibility information. Under this program, the estimated tax abatement for the fiscal year was \$24,000 for the City and \$2,000 for BURA.
- The Low Income Property Tax Exemption program is authorized by Oregon Statute (ORS 307.4580 to 307.548) and City Ordinance (Beaverton Code 3.20) and is designed to make rental housing units affordable for income-restricted tenants. The City's Community Development Department recommends applications for the tax exemption to the Oregon Department of Housing and Community Services. When approved the Washington County Department of Assessment and Taxation creates a record of the exemption for each eligible property. The exemption lasts as long as the property complies with the city's ordinance and statutes. The amount of tax exemptions extends to all taxing jurisdictions including the City of Beaverton and the Beaverton Urban Redevelopment Agency (BURA). Under this program, the estimated tax exemption for the fiscal year was \$79,000 for the City and \$7,000 for BURA.
- The Vertical Housing Development Zone (VHDZ) Tax Exemption Program is authorized by Oregon Statutes (ORS 307.864) and is designed to encourage multiple use commercial and residential development near transit services. The program was administered by the Oregon Department of Housing and Community Services and beginning in October 2017, administration was shifted to the City of Beaverton. The program does not specifically benefit low or moderate income residents and there is no income testing. The program is a partial exemption whereby the existing value of the land and building are frozen and the improvements are taxed up to 80% of their value for the first four floors of residential usage. Projects remain eligible as long as there is ground floor commercial uses and residential uses on the upper floors. Properties can become decertified by the Washington County Department of Assessment and Taxation and omitted taxes recovered. The amount of tax exemption applies to all taxing jurisdictions. Under this program the estimated tax exemption for the fiscal year was \$34,000 for the City and \$3,000 for BURA.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

III. OTHER INFORMATION

A. Participation in Public Employees' Retirement System

1. Pension Plan

The City contributes to the Oregon Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple-employer defined benefit plan that provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges and school districts. The system provides retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

2. Description of benefit terms:

Plan Benefits – Employees of the City are provided with pensions through OPERS. All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. OPERS produces an independently audited CAFR that can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits provided under Chapter 238-Tier One/Tier Two - Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits – The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in a OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-covered job at the time of death.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 OPERS judge members) for disability benefits regardless of the length of OPERS-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.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA on benefits. The Oregon Supreme Court on April 30, 2015, overturned certain elements of the law as they were deemed unconstitutional (*Everice Moro et al v. State of Oregon et al*). As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

Benefits provided under Chapter 238A – OPSRP. OPSRP pension program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement - Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

3. Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

| | |
|-----------------------------------|--|
| Valuation Date | December 31, 2016, rolled forward to June 30, 2018 |
| Measurement Date | June 30, 2018 |
| Experience Study Report | 2016, published July 2017 |
| Amortization Method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years. |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Inflation Rate | 2.50 percent |
| Long-term expected rate of return | 7.20 percent |
| Discount rate | 7.20 percent |
| Projected Salary Increases | 3.50 percent overall payroll growth; salaries for individuals are assumed to grow at 3.50 percent plus assumed rates of merit/longevity increases based on service. |
| Mortality | <p>Healthy retirees and beneficiaries: RP-2014 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 employee, annuitant, sex distinct, generational projection with Unisex, Social Security Data Scale.</p> <p>Disabled retirees: RP-2014 Disabled retiree, sex distinct, generational projection with Unisex, Social Security Data Scale.</p> |

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

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

Long-Term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 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.

| Asset Class | Target | Compound Annual Return (Geometric) |
|---------------------------------|--------|------------------------------------|
| Core Fixed Income | 8.00% | 3.49% |
| Short-Term Bonds | 8.00 | 3.38 |
| Bank/Leveraged Loan | 3.00 | 5.09 |
| High Yield Bonds | 1.00 | 6.45 |
| Large/Mid Cap US Equities | 15.75 | 6.30 |
| Small Cap US Equities | 1.31 | 6.69 |
| Micro Cap US Equities | 1.31 | 6.80 |
| Developed Foreign Equities | 13.13 | 6.71 |
| Emerging Market Equities | 4.12 | 7.45 |
| Non-US Small Cap Equities | 1.88 | 7.01 |
| Private Equity | 17.50 | 7.82 |
| Real Estate (Property) | 10.00 | 5.51 |
| Real Estate (REITS) | 2.50 | 6.37 |
| Hedge Fund of Funds-Diversified | 2.50 | 4.09 |
| Hedge Fund – Event-driven | .63 | 5.86 |
| Timber | 1.88 | 5.62 |
| Farmland | 1.88 | 6.15 |
| Infrastructure | 3.75 | 6.60 |
| Commodities | 1.88 | 3.84 |
| Assumed Inflation – Mean | | 2.50 |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

4. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017.

The City's contributions for the year ended June 30, 2019 were \$5,681,536. The rates in effect for the fiscal year ended June 30, 2019 were: (1) Tier 1/Tier 2 – 17.89%, and (2) OPSRP general service – 9.29%, and (3) OPSRP Police – 14.06%. These contribution rates do not include the rates for Retirement Health Insurance Accounts or 6% employee contribution to individual Account Program (IAP).

5. Pension Assets/Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the City reported a liability of \$69,979,287 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2018. The City's proportionate share 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 members of the cost sharing pool, actuarially determined. At June 30, 2018 the City's proportion was 0.46194965 percent.

For the year ended June 30, 2019, the City recognized net pension expense of \$11,986,208 for the defined benefit portion of the pension plan. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$2,380,486 | |
| Change of assumptions | 16,270,051 | |
| Net difference between projected and actual earnings on pension plan investments | | \$3,107,476 |
| Changes in proportionate share | 208,128 | 2,735,461 |
| Differences between employer contributions and employer's proportionate share of system contributions | | 1,418,609 |
| | 18,858,665 | 7,261,546 |
| Contributions subsequent to the measurement date | 5,681,536 | |
| | \$24,540,201 | \$7,261,546 |

Deferred outflows of resources related to pensions of \$5,681,536 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

| Year Ending June 30 | Net Deferred Outflow (Inflow)of Reources (prior to post-measurement date contributions) |
|---------------------------|--|
| 2020 | \$7,257,872 |
| 2021 | 4,987,410 |
| 2022 | (1,408,172) |
| 2023 | 425,845 |
| 2024 | 334,165 |
| | \$11,597,120 |

6. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the pension liability calculated using the discount rate of 7.20 percent, as well as what the City's share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of net pension liability/(asset) | \$116,948,610 | \$69,979,287 | \$31,209,956 |

7. Defined Contribution Plan: OPSRP Individual Account Program (OPSRP IAP)

Benefits

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An Individual Account Program (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 completed 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.

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

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions

The City has chosen to pay the employees contributions to the plan. Six percent of covered payroll is paid for general service and police employees. For FY 18-19 the City paid \$2,482,090.

8. Changes in Plan Provisions Subsequent to Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the resulting change is not readily available at this time.

In May 2019, the Oregon Legislature approved Senate Bill 1049 relating to OPERS. The Bill contains provisions and elements that may affect the retirees' future benefits and contributions. For example, for all currently employed Tier One/Tier Two members earning \$2,500/month or more, a portion of IAP contributions will be redirected to an "Employee Pension Stability Account" effective July 1, 2020. Since the PERS Board is still analyzing elements of the bill, the full effect of the Bill is not readily available at this time.

B. Postemployment Benefits Other Than Pensions

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS Retirement Health Insurance Account cost-sharing multiple-employer defined health insurance benefit plan (RHIA).

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. Details of each plan is as follows:

| | <u>Implicit Rate Subsidy Plan</u> | <u>PERS RHIA Plan</u> | <u>Total OPEB on Financials</u> |
|---|---------------------------------------|---------------------------|-------------------------------------|
| Net OPEB Asset | | <u>\$460,142</u> | <u>\$460,142</u> |
| Deferred Outflows of resources | | | |
| Contributions After the Measurement Date | \$154,094 | \$190,000 | \$344,094 |
| Changes in Proportionate Share | | 931 | 931 |
| Total Deferred outflows of resources | <u>\$154,094</u> | <u>\$190,931</u> | <u>\$345,025</u> |
| Total OPEB Liability | <u>(\$4,468,163)</u> | | <u>(\$4,468,163)</u> |
| Deferred Inflows of Resources | | | |
| Difference between expected and actual experience | (\$327,398) | (\$26,077) | (\$353,475) |
| Change in Assumptions | (746,082) | (1,460) | (747,542) |
| Difference in Earnings | | (99,206) | (99,206) |
| Changes in Proportionate Share | | (1,284) | (1,284) |
| Total Deferred inflows of resources | <u>(\$1,073,480)</u> | <u>(\$128,027)</u> | <u>(\$1,201,507)</u> |
| OPEB Expense | <u>\$373,975</u> | <u>\$43,199</u> | <u>\$417,174</u> |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Implicit Rate Subsidy

1. Plan Description

The City is required by Oregon Revised Statute 243.303 to provide retirees (if they elect) with group health and dental insurance coverage from the date of retirement age to age 65 at the same rates as provided to current City employees. The Government Accounting Standards Board Statement Number 75 is applicable to the City due to the resulting implicit rate subsidy. This single-employer “plan” is not a stand-alone plan and there are no separately issued financial statements. The City does not provide any explicit employee benefits.

2. Benefits Provided

The plan provides retirees and their dependents under age 65 the same health care coverage received prior to retirement. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for payment of the premiums.

The City collects insurance premiums from participating retirees each month. The premium payments are then deposited into the City’s self-insurance fund. The City then includes the retirees’ payments along with its payment of current employee premiums to the insurance carriers at the established amounts for each coverage type.

As of the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries receiving benefits | 14 |
| Active employees | 537 |
| | 551 |
| | 551 |

3. Total OPEB Liability

The City’s total OPEB liability of \$4,468,163 was determined by an actuarial valuation as of July 1, 2018, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

| | |
|----------------------------|---|
| Measurement date | June 30, 2018 |
| Inflation | 2.50% |
| Salary increases | 3.50% |
| Healthy Mortality | RP-2014 Healthy Annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale. |
| Healthcare cost trend rate | Medical and vision: 5.50 percent in 2020, ranges 4.75 to 6.0 percent per year through 2066+; Dental: 4.50 percent per year. |
| Discount rate | 3.87% |
| Actuarial cost method | Entry Age Normal |

The discount rate reflects a 20-year tax-exempt municipal bond yield or index rate.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

4. Changes in the Total OPEB Liability

| | |
|--|---------------------------|
| Balance as of June 30, 2018 | \$5,076,000 |
| Changes for the year: | |
| Service cost | 319,799 |
| Interest on total OPEB liability | 189,234 |
| Effect of economic/demographic gains or losses | (367,325) |
| Effect of assumptions changes or inputs | (527,742) |
| Benefit payments | (221,803) |
| Balance as of June 30, 2019 | <u><u>\$4,468,163</u></u> |

Changes of assumptions reflect a change in the discount rate of 3.58% in effect for the June 30, 2018 reporting date to 3.87% as of June 30, 2019.

5. Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption, 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent).

Discount Rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------------------------|--------------------|
| Total OPEB Liability | \$4,881,490 | \$4,468,163 | \$4,089,340 |

Healthcare Cost Trend:

| | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|---------------------|--------------------|
| Total OPEB Liability | \$3,952,119 | \$4,468,163 | \$5,079,804 |

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense from this plan of \$373,975. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | | (\$327,398) |
| Changes of assumptions or inputs | | (746,082) |
| Benefit Payments | | |
| Contributions after measurement date | \$154,094 | |
| Total | <u><u>\$154,094</u></u> | <u><u>(\$1,073,480)</u></u> |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Deferred outflows of resources related to OPEB of \$154,094 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB (liability) in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30 | Amount |
|------------------------|-----------------------------|
| 2020 | (\$135,058) |
| 2021 | (135,058) |
| 2022 | (135,058) |
| 2023 | (135,058) |
| 2024 | (135,058) |
| Thereafter | (398,190) |
| Total | <u><u>(\$1,073,480)</u></u> |

PERS Retirement Health Insurance Account (RHIA)

1. 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 post employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premium of eligible retirees. Oregon Revised Statutes (ORS) 238.420 establishes this trust fund. Authority to establish and amend the benefit provision of RHIA resides 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 supplemental information. That report may be obtained by writing to OPERS, PO Box 23700, Tigard, Oregon, 97281-37400, or online at:

http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

2. Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

3. Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2019 contributions was \$190,000.

4. Total OPEB Liability (RHIA)

The City's Net OPEB asset of \$460,142 was determined by an actuarial valuation as of December 31, 2016. The methods and assumptions shown below are based on the 2016 Experience Study, which reviewed experience from January 1, 2013 to December 31, 2016.

| | |
|-----------------------------------|--|
| Valuation Date | December 31, 2016, rolled forward to June 30, 2018 |
| Measurement Date | June 30, 2018 |
| Experience Study Report | 2016, published July, 2017 |
| Amortization Method | Amortized as a level percentage of projected combined valuation payroll (Tier 1/Tier 2 plus OPSRP payroll) over a closed 10 year period. |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Actuarial cost method | Entry Age Normal |
| Inflation Rate | 2.50 percent |
| Long-term expected rate of return | 7.20 percent |
| Discount rate | 7.20 percent |
| Projected Salary Increases | 3.50 percent |
| Retiree healthcare participation | Healthy retirees: 35%; Disabled retirees: 20% |
| Mortality | <p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex distinct, generational projection with Unisex, Social Security Data Scale.</p> <p>Active members: RP-2014 employee, annuitant, sex distinct, generational projection with Unisex, Social Security Data Scale.</p> <p>Disabled retirees: RP-2014 Disabled retiree, sex distinct, generational projection with Unisex, Social Security Data Scale.</p> |

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 RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

5. Sensitivity of the Total OPEB Liability

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---------------------------------|-------------|--------------------------|-------------|
| Total OPEB Liability (Asset) | (\$267,917) | (\$460,142) | (\$623,764) |

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense from this plan of \$43,199. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Net difference between projected and actual experience | | (\$26,077) |
| Changes of assumptions or inputs | | (1,460) |
| Difference in earnings | | (99,206) |
| Changes in proportionate share | \$931 | (1,284) |
| Contributions after measurement date | 190,000 | |
| Total | \$190,931 | (\$128,027) |

Deferred outflows of resources related to OPEB of \$190,000 resulting from the City's contributions subsequent to the measurement date will be recognized either as a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30 | Amount |
|------------------------|-------------|
| 2020 | (\$41,765) |
| 2021 | (41,928) |
| 2022 | (33,541) |
| 2023 | (9,862) |
| Total | (\$127,096) |

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

D. Risk Management

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Significant real and personal property exposures are covered by insurance for loss from all perils, including earthquake and flood damage. General and automobile liability exposures are insured up to \$10,000,000 per occurrence, and are subject to a \$160,000 aggregate deductible. The City retains the first \$650,000 for police and other classifications per workers' compensation claim and transfers the excess exposure through commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Liabilities include an amount for claims that have been incurred but not reported (IBNR) and case reserves. At June 30, 2019, \$144,334 and \$445,000 of those liabilities are outstanding in the General Liability Program and in the Workers' Compensation Program, respectively. Changes in the City's claims liability for the years ended June 30, 2018 and 2019 are as follows:

| | <u>Balance</u> <u>July 1</u> | <u>Changes in</u> <u>Estimates</u> | <u>Claim</u> <u>Payments</u> | <u>Balance</u> <u>June 30</u> |
|-----------|---------------------------------|---------------------------------------|---------------------------------|----------------------------------|
| 2017-2018 | \$505,334 | \$683,575 | (\$599,575) | \$589,334 |
| 2018-2019 | 589,334 | 486,715 | (486,715) | 589,334 |

E. Commitments and Contingencies

Workers' compensation, general liability, auto, unemployment and dental claims covered by the City's Insurance Fund (Internal Service Fund) are reviewed, and losses are accrued based on the judgment of City management. In the opinion of City management, the ultimate disposition of these claims will not have a material adverse effect on the financial position or results of operations of the Internal Service Funds.

The City is the defendant in several legal actions currently pending. Although their outcome cannot be determined, it is the opinion of management that settlement of these matters will not have a material effect on the financial position and results of operations of the City.

The City has active construction projects as of June 30, 2019 which represent multi-year contracts. As of June 30, 2019, the amount of uncompleted contracts for various projects totals \$5,153,995.

F. Transactions with Clean Water Services of Washington County

In April 1976, the City entered into a contract with the Clean Water Services (CWS) of Washington County whereby the City acts as a collection agent for CWS for sewer service charges and sewer connection charges inside the City's limits. The City, in 1990, also entered into a contract with CWS to collect storm drain charges. In accordance with the agreements, the City collects all charges on behalf of CWS and remits all applicable collections to CWS, except for 16.40% of sewer service charges, 3.983% of sewer connection charges collected, 75% of applicable surface water (storm drain) charges collected.

In June 2017, the City and CWS amended the IGA to acknowledge the City's authority to establish its own rates and Right of Way fee on sewer and storm drain service charges, and this change was effective as of September 2018. During fiscal year 2019, the City paid \$24,041,794 to CWS and retained \$8,857,574 as charges for services revenues and \$94,287 as sewer systems development charge revenue included in the

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2019

Business-type activities. The City also retained a portion of CWS collections for Right of Way fees (5%) totaling \$1,088,465 which is included in the City's General Fund.

G. Restatement

For the year ended June 30, 2019, the City recorded a prior period adjustment of \$767,223 in the Water Fund within the Business-Type activities. The City purchased two water rights from the U.S. Department of the Interior, Bureau of Reclamation at Scoggins Dam in 1982 and 1986, and both water rights have been amortized over the useful life of 40 years. However, since the water rights were deemed to have indefinite useful lives, the City's net position in the Water Fund was understated by \$767,223 as of June 30, 2018. As a result, a prior period adjustment was made to increase the net position of the Water Fund, and the allowance for amortization for water rights was eliminated.

H. Subsequent Event

In October 2019, the City Council approved a resolution authorizing the issuance of revenue bonds, pledging the City's Transient Lodging taxes, in an amount not to exceed \$21,000,000 for the purpose of financing a portion of the costs of constructing and equipping the Patricia Reser Center for the Arts (PRCA) facility.