

***CITY OF YAMHILL, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019***

MAYOR

Yvette Potter

CITY COUNCIL MEMBERS

Kay Echauri, President

Jay Disbrow

Morgann Gilmore

Tim Askey

CITY ADMINISTRATION

Lori Gilmore, City Recorder

MAILING ADDRESS

205 Maple Street
P.O. Box 9
Yamhill, Oregon 97148

CITY OF YAMHILL
TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
<i>Basic Financial Statements</i>	
Government-wide Financial Statements	
Statement of Net Position (Modified Cash Basis)	8
Statement of Activities (Modified Cash Basis)	9
Fund Financial Statements	
Balance Sheet (Modified Cash Basis) - Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances (Modified Cash Basis) - Governmental Funds	11
Statement of Fund Net Position (Modified Cash Basis) - Proprietary (Enterprise) Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position (Modified Cash Basis) - Proprietary (Enterprise) Funds	13
Statement of Cash Flows (Modified Cash Basis) - Proprietary (Enterprise) Funds	14
Notes to Basic Financial Statements	15-27
<i>Supplemental Information</i>	
Governmental Funds - Statements and Schedules	
Combining Balance Sheet (Modified Cash Basis) - Nonmajor Governmental Funds	28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Modified Cash Basis) - Nonmajor Governmental Funds	29
Schedules of Revenues, Expenditures, and Changes in Fund Balances (Modified Cash Basis) - Budget and Actual	
General Fund	30
Street Fund	31
Park SDC Fund	32
Building Fund	33
Economic Development Fund	34
Street SDC Fund	35
Sidewalk Fund	36
Admin Capital Expenses Reserve Fund	37
Police Vehicle Reserve Fund	38
Public Works Reserve Fund	39
Park Reserve Fund	40
City Hall Reserve Fund	41
Proprietary (Enterprise) Funds - Statements and Schedules	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Modified Cash Basis) - Water Operations	42
Schedules of Revenues, Expenditures, and Changes in Fund Balance (Modified Cash Basis) - Budget and Actual	
Water Fund	43
Water SDC Fund	44
Water Debt Service Fund	45
Water Depreciation Fund	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Modified Cash Basis) - Sewer Operations	47

CITY OF YAMHILL
TABLE OF CONTENTS

	<u><i>Page</i></u>
<i>Supplemental Information (Continued)</i>	
Proprietary (Enterprise) Funds - Statements and Schedules (Continued)	
Schedules of Revenues, Expenditures, and Changes in Fund Balance (Modified Cash Basis) -	
Budget and Actual	
Sewer Fund	48
Sewer SDC Fund	49
Sewer Debt Service Fund	50
Sewer Reserve Fund	51
Stormwater SDC Fund	52
 <i>COMPLIANCE SECTION</i>	
Independent Auditor's Report Required by Oregon State Regulations	53-54



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Yamhill
205 Maple Street
P.O. Box 9
Yamhill, Oregon 97148

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yamhill, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yamhill, as of June 30, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in the notes to the financial statements.

Basis of Accounting

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

Emphasis of Matter – Change in Accounting Presentation

During the year ended June 30, 2019, the City combined related proprietary funds into two operating funds, Water Operations and Sewer Operations. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplemental and Other Information

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


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

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

Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 1, 2019, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Devan W. Esch, A Shareholder
November 1, 2019

**CITY OF YAMHILL
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

As management of the City of Yamhill, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

	June 30,		change
	2019	2018	
Net position	\$ 2,127,127	\$ 1,804,795	\$ 322,332
Change in net position	322,332	(107,339)	429,671
Governmental net position	1,435,252	837,756	597,496
Proprietary net position	691,875	967,039	(275,164)
Change in governmental net position	597,496	(18,288)	615,784
Change in proprietary net position	(275,164)	(89,051)	(186,113)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Net Position (Modified Cash Basis)*. The *statement of net position* presents information on all of the assets and liabilities of the City as of the date on the statement using the modified cash basis of accounting. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Fund financial statements. The fund financial statements provide more detailed information about the City’s funds, focusing on its most significant or “major” funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Proprietary funds. The City charges customers for the services it provides. These services are generally reported in proprietary funds.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Modified Cash Basis). The Statement of Net Position is provided on a comparative basis.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$2,127,127 as of June 30, 2019.

Net position - restricted represent resources that are subject to external restrictions on their use, such as debt service payments or construction of capital assets. Net position - unrestricted are available for general operations of the City.

Net position – unrestricted are available for general operations of the City.

City of Yamhill
Statements of Net Position (Modified Cash Basis)
June 30,

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,435,252	\$ 691,875	\$ 2,127,127	\$ 837,756	\$ 967,039	\$ 1,804,795
Liabilities	-	-	-	-	-	-
Net position:						
Restricted	503,100	220,680	723,780	553,138	505,677	1,058,815
Unrestricted	932,152	471,195	1,403,347	284,618	461,362	745,980
Total Net Position	<u>\$ 1,435,252</u>	<u>\$ 691,875</u>	<u>\$ 2,127,127</u>	<u>\$ 837,756</u>	<u>\$ 967,039</u>	<u>\$ 1,804,795</u>

Statement of Activities (Modified Cash Basis). During the current fiscal year, the City’s net position increased by \$322,332 as compared to a decrease of \$107,339 in the prior year. The key elements of the change in the City’s net position for the year ended June 30, 2019 are as follows:

- Fines, fees and charges for services increased by \$77,058 as a result of increased water and sewer rates in the current fiscal year.
- Miscellaneous revenues increased nearly one million dollars as a result of the sale of the City’s timber that was harvested during the year.
- General government expenditures increased \$131,519 due to timber harvesting and associated costs for replanting and sales.
- Expenses in Water operations increased \$345,960 mostly due to construction costs related to the City’s water main extension project.
- Expenses in Sewer operations decreased \$739,134 from the prior year as a result of significant debt repayments made during the year ended June 30, 2018.

City of Yamhill
Statements of Activities (Modified Cash Basis)
June 30,

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Fines, fees, and charges for service	\$ 111,484	\$ 822,471	\$ 933,955	\$ 96,935	\$ 759,962	\$ 856,897
Operating grants and contributions	84,662	-	84,662	72,748	-	72,748
Capital grants and contributions	18,227	26,930	45,157	37,605	24,960	62,565
General Revenues						
Taxes and assessments	293,421	-	293,421	279,212	-	279,212
Licenses and permits	49,171	-	49,171	76,250	-	76,250
Intergovernmental	34,948	-	34,948	33,680	-	33,680
Miscellaneous	964,836	55,962	1,020,798	33,322	16,730	50,052
Total Revenues	1,556,749	905,363	2,462,112	629,752	801,652	1,431,404
Expenses						
General government	303,920	-	303,920	172,401	-	172,401
Court and police	426,892	-	426,892	395,511	-	395,511
Highways and streets	127,680	-	127,680	76,490	-	76,490
Culture and recreation	39,229	-	39,229	22,106	-	22,106
Water	-	908,263	908,263	-	562,303	562,303
Sewer	-	333,796	333,796	-	1,072,930	1,072,930
Total Expenses	897,721	1,242,059	2,139,780	666,508	1,635,233	2,301,741
Proceeds from issuance of debt	-	-	-	-	762,998	762,998
Transfers	(61,532)	61,532	-	18,468	(18,468)	-
Change in Net Position	597,496	(275,164)	322,332	(18,288)	(89,051)	(107,339)
Net Position, beginning of year	837,756	967,039	1,804,795	856,044	1,056,090	1,912,134
Net Position, end of year	\$ 1,435,252	\$ 691,875	\$ 2,127,127	\$ 837,756	\$ 967,039	\$ 1,804,795

Financial Analysis of the City’s Funds

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

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

At June 30, 2019, the City’s governmental funds reported combined ending fund balances of \$1,435,252 which is an increase of \$597,496 in comparison with the prior year.

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$813,437 as of June 30, 2019. The fund balance increased by \$756,141 during the current fiscal year as a result of the timber harvest. As a measure of the fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 115% of total General Fund expenditures.

Street Fund. The Street Fund accounts for State gas tax revenues. Fund balance decreased by \$39,285 as a result of increased street projects that were performed in the current year.

Park SDC Fund. The Park SDC Fund accounts for system development charges designated for parks. The fund balance decreased during the year by \$15,871 as a result of capital outlay expenditures during the year.

Proprietary Funds. The City of Yamhill charges customers for the utility services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds.

Water Operations Funds. These funds had a net decrease in fund balance of \$331,148 from the prior year. The decrease is the result of capital acquisitions and the complete repayment of the OECDD water loan as well as other, scheduled debt payments.

Sewer Operations Funds. These funds had an overall increase in fund balance of \$55,984 as a result of increased utility rates in the current fiscal the year.

General Fund Budgetary Highlights

There was one change to the adopted General Fund budget for the fiscal year ended June 30, 2019.

Debt Administration

	City of Yamhill	
	Outstanding Debt	
	Business-type Activities	
	2019	2018
Loans	\$ 1,425,239	\$ 1,674,521

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

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

Economic Factors and Next Year’s Budget

The City’s Budget Committee considered all the following factors while preparing the budget for the 2019-20 fiscal year.

- Expected rates and consumption for business-type funds
- Staffing requirements and the desired level of service
- Capital outlay

Requests for Information

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

City of Yamhill
Attn: City Recorder
205 Maple Street
PO Box 9
Yamhill, Oregon 97148

BASIC FINANCIAL STATEMENTS

CITY OF YAMHILL, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2019

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 1,435,252	\$ 691,875	\$ 2,127,127
LIABILITIES			
	-	-	-
NET POSITION			
Restricted for:			
Deposits	23,983	48,340	72,323
Construction	260,076	172,340	432,416
Streets	219,041	-	219,041
Unrestricted	932,152	471,195	1,403,347
<i>Total Net Position</i>	<u>\$ 1,435,252</u>	<u>\$ 691,875</u>	<u>\$ 2,127,127</u>

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

CITY OF YAMHILL, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2019

	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expenses) Revenues and Changes in Net Position</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 303,920	\$ 8,292	\$ -	\$ -	\$ (295,628)	\$ -	\$ (295,628)
Court and police	426,892	102,112	5,847	-	(318,933)	-	(318,933)
Highways and streets	127,680	-	78,815	4,158	(44,707)	-	(44,707)
Culture and recreation	39,229	1,080	-	14,069	(24,080)	-	(24,080)
<i>Total Governmental activities</i>	897,721	111,484	84,662	18,227	(683,348)	-	(683,348)
Business-type activities:							
Water	908,263	455,724	-	15,029	-	(437,510)	(437,510)
Sewer	333,796	366,747	-	11,901	-	44,852	44,852
<i>Total Business-type activities</i>	1,242,059	822,471	-	26,930	-	(392,658)	(392,658)
<i>Total Activities</i>	\$ 2,139,780	\$ 933,955	\$ 84,662	\$ 45,157	(683,348)	(392,658)	(1,076,006)
General Revenues:							
Property taxes					293,421	-	293,421
Franchise taxes					49,171	-	49,171
Intergovernmental					34,948	-	34,948
Miscellaneous					964,836	55,962	1,020,798
<i>Total General Revenues</i>					1,342,376	55,962	1,398,338
Transfers					(61,532)	61,532	-
Change in Net Position					597,496	(275,164)	322,332
Net Position - beginning of year					837,756	967,039	1,804,795
Net Position - end of year					\$ 1,435,252	\$ 691,875	\$ 2,127,127

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

CITY OF YAMHILL, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
	<u>General</u>	<u>Street</u>	<u>Park SDC</u>		
ASSETS					
Cash and cash equivalents	\$ 813,437	\$ 178,497	\$ 243,057	\$ 200,261	\$ 1,435,252
LIABILITIES AND FUND BALANCE					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance					
Restricted for:					
Deposits	-	-	-	23,983	23,983
Construction	-	-	243,057	17,019	260,076
Streets	-	178,497	-	40,544	219,041
Committed to:					
Capital outlay	-	-	-	39,166	39,166
Economic development	-	-	-	69,758	69,758
Building inspection	-	-	-	9,791	9,791
Unassigned	813,437	-	-	-	813,437
<i>Total Fund Balance</i>	813,437	178,497	243,057	200,261	1,435,252
<i>Total Liabilities and Fund Balance</i>	\$ 813,437	\$ 178,497	\$ 243,057	\$ 200,261	\$ 1,435,252

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

CITY OF YAMHILL, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
		<u>Revenue</u>		<u>Governmental</u>	
		<u>Street</u>	<u>Park SDC</u>	<u>Funds</u>	
REVENUES					
Taxes and assessments	\$ 293,421	\$ -	\$ -	\$ -	\$ 293,421
Fines and forfeitures	96,809	-	-	6,245	103,054
Licenses and permits	45,928	4,058	9,069	10,593	69,648
Charges for services	1,180	-	-	-	1,180
Intergovernmental	45,795	78,815	-	-	124,610
Miscellaneous	952,824	3,728	2,936	5,348	964,836
<i>Total Revenues</i>	<u>1,435,957</u>	<u>86,601</u>	<u>12,005</u>	<u>22,186</u>	<u>1,556,749</u>
EXPENDITURES					
General government	269,003	-	-	35,381	304,384
Court and police	421,951	-	-	-	421,951
Highways and streets	-	125,886	-	-	125,886
Culture and recreation	10,889	-	-	-	10,889
Capital acquisitions	4,941	-	27,876	1,794	34,611
<i>Total Expenditures</i>	<u>706,784</u>	<u>125,886</u>	<u>27,876</u>	<u>37,175</u>	<u>897,721</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>729,173</u>	<u>(39,285)</u>	<u>(15,871)</u>	<u>(14,989)</u>	<u>659,028</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	35,000	-	-	31,500	66,500
Transfers out	(8,032)	-	-	(120,000)	(128,032)
<i>Total Other Financing Sources (Uses)</i>	<u>26,968</u>	<u>-</u>	<u>-</u>	<u>(88,500)</u>	<u>(61,532)</u>
NET CHANGE IN FUND BALANCE	<u>756,141</u>	<u>(39,285)</u>	<u>(15,871)</u>	<u>(103,489)</u>	<u>597,496</u>
FUND BALANCE, beginning of year	<u>57,296</u>	<u>217,782</u>	<u>258,928</u>	<u>303,750</u>	<u>837,756</u>
FUND BALANCE, end of year	<u>\$ 813,437</u>	<u>\$ 178,497</u>	<u>\$ 243,057</u>	<u>\$ 200,261</u>	<u>\$ 1,435,252</u>

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

CITY OF YAMHILL, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY (ENTERPRISE) FUNDS
JUNE 30, 2019

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 267,723	\$ 424,152	\$ 691,875
LIABILITIES	-	-	-
NET POSITION:			
Restricted for:			
Deposits	21,919	26,421	48,340
Construction	40,408	131,932	172,340
Unrestricted	205,396	265,799	471,195
<i>Total Fund Net Position</i>	<u>\$ 267,723</u>	<u>\$ 424,152</u>	<u>\$ 691,875</u>

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

CITY OF YAMHILL, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION****(MODIFIED CASH BASIS) - PROPRIETARY (ENTERPRISE) FUNDS**

YEAR ENDED JUNE 30, 2019

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 455,724	\$ 366,748	\$ 822,472
Miscellaneous	26,265	20,345	46,610
<i>Total Operating Revenues</i>	481,989	387,093	869,082
OPERATING EXPENSES			
Personal services	200,882	193,676	394,558
Materials and services	148,035	78,952	226,987
<i>Total Operating Expenses</i>	348,917	272,628	621,545
OPERATING INCOME	133,072	114,465	247,537
NONOPERATING ITEMS			
Capital Financing Revenues (Expenses)			
Capital contributions	15,029	11,901	26,930
Capital acquisitions	(325,202)	(8,488)	(333,690)
Debt payments			
Principal	(224,282)	(25,000)	(249,282)
Interest	(9,861)	(27,681)	(37,542)
<i>Total Capital Financing Revenues (Expenses)</i>	(544,316)	(49,268)	(620,514)
Investing Revenues			
Interest revenue	5,330	4,021	9,351
<i>Total Nonoperating Items</i>	(538,986)	(45,247)	(584,233)
TRANSFERS			
Transfers in	97,266	17,266	114,532
Transfers out	(22,500)	(30,500)	(53,000)
<i>Total Transfers</i>	74,766	(13,234)	61,532
CHANGE IN NET POSITION	(331,148)	55,984	(275,164)
NET POSITION, beginning of year	598,871	368,168	967,039
NET POSITION, end of year	\$ 267,723	\$ 424,152	\$ 691,875

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

CITY OF YAMHILL, OREGON**STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) - PROPRIETARY (ENTERPRISE) FUNDS**

YEAR ENDED JUNE 30, 2019

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 455,724	\$ 366,748	\$ 822,472
Cash paid to employees and others for salaries and benefits	(200,882)	(193,676)	(394,558)
Cash paid to suppliers and others	(148,035)	(78,952)	(226,987)
Payments to other funds for services provided	26,265	20,345	46,610
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>133,072</u>	<u>114,465</u>	<u>247,537</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	97,266	17,266	114,532
Transfers out	(22,500)	(30,500)	(53,000)
<i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>	<u>74,766</u>	<u>(13,234)</u>	<u>61,532</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(325,202)	(8,488)	(333,690)
Interest paid on debt	(9,861)	(27,681)	(37,542)
Principal paid on debt	(224,282)	(25,000)	(249,282)
Capital contributions	15,029	11,901	26,930
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(544,316)</u>	<u>(49,268)</u>	<u>(593,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5,330	4,021	9,351
<i>Increase (Decrease) in Cash and Investments</i>	<u>(331,148)</u>	<u>55,984</u>	<u>(275,164)</u>
CASH AND INVESTMENTS, Beginning of year	<u>598,871</u>	<u>368,168</u>	<u>967,039</u>
CASH AND INVESTMENTS, End of year	<u><u>\$ 267,723</u></u>	<u><u>\$ 424,152</u></u>	<u><u>\$ 691,875</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ 133,072	\$ 114,465	\$ 247,537
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$ 133,072</u></u>	<u><u>\$ 114,465</u></u>	<u><u>\$ 247,537</u></u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yamhill, Oregon (the City) is governed by an elected mayor and four council members who comprise the City Council. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

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

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

Basic Financial Statements

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

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

The Statement of Net Position (Modified Cash Basis) presents all the assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components. Restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities. When expenses are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems restricted assets to be spent first.

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

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

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

Basis of Presentation

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

The reporting model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures of either fund category or the government and enterprise combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for police protection, insurance and general administration.

Street

This fund accounts for street maintenance and improvements. Primary source of revenues are from motor vehicle fuel taxes and expenditures are for street maintenance and improvements.

Park SDC Fund

This fund accounts for system development charges designated for parks.

The City reports the following nonmajor governmental funds:

Building Fund

This fund accounts for building permits revenue. Principal revenues are from building permits revenue received and primary expenditures are for building inspection services.

Economic Development Fund

This fund accounts for expenditures related to economic development within the City.

Street SDC Fund

This fund accounts for system development charges designated for streets.

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Sidewalk Fund

This fund accounts for money set aside for sidewalk repairs.

Admin Capital Expenses Reserve Fund

This fund accounts for administrative capital improvements. Revenues are primarily transfers in.

Police Vehicle Reserve Fund

This fund accounts for money set aside for the future purchase of police vehicles.

Public Works Reserve Fund

This fund accounts for money set aside for future public works uses.

Park Reserve Fund

This fund accounts for money set aside for future park improvements.

City Hall Reserve Fund

This fund was created for the purpose of reserving funds for the future purchase of land and a City Hall facility.

The City reports the following major proprietary (enterprise) funds:

Water Operations

Water Operations accounts for the operations, maintenance, debt service, and capital construction projects for the water system, which is funded through utility fees, construction fees and debt proceeds.

Sewer Operations

Sewer Operations accounts for the operations, maintenance, debt service, and capital construction projects for the wastewater system, which is funded through utility fees, construction fees and debt proceeds.

Fund Balance

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

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

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

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

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

Definitions of Governmental Fund Types

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

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

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenditures as of and for the year ended June 30, 2019. Actual results may differ from such estimates.

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

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

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments in the Local Governmental Investment Pool are stated at cost, which approximates fair value.

Property Taxes

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

Capital Assets

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

Long-Term Debt

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

Accrued Compensated Absences

Accumulated unpaid vacation and comp time pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid. The amount payable for accumulated vacation and comp time at June 30, 2019 was not available.

Budgets and Budgetary Accounting

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

CITY OF YAMHILL, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

CASH AND CASH EQUIVALENTS

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

Cash

Cash with financial institutions	\$ 53,857
----------------------------------	-----------

Investments

Local Government Investment Pool	2,073,270
	<hr/>
	\$ 2,127,127
	<hr/> <hr/>

Deposits

The book balance of the City's bank deposits (checking account) was \$53,857 and the bank balance was \$101,298 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2019, all of the City's bank balances were covered by FDIC insurance.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2019, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CITY OF YAMHILL, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

Custodial Risk – Local Government Investment Pool

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

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

LONG-TERM DEBT

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

	<u>Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2019</u>	<u>Next Year Requirements</u>
<i>Business-type activities</i>						
Safe Drinking Water						
Revolving Loan Fund	\$ 1,500,000	\$ 755,803	\$ -	\$ (50,564)	\$ 705,239	\$ 51,070
OECD Water Loan	500,000	173,718	-	(173,718)	-	-
U.S. Bank Sewer Loan	745,000	745,000	-	(25,000)	720,000	30,000
Total Business-type activities		<u>\$ 1,674,521</u>	<u>\$ -</u>	<u>\$ (249,282)</u>	<u>\$ 1,425,239</u>	<u>\$ 81,070</u>

The Safe Drinking Water Revolving Loan Fund, the OECD Water Loan, and the U.S. Bank Sewer Loan require financial statements to be prepared in accordance with GAAP. The City prepares its financial statements on the modified cash basis.

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

Loans payable – Business Type Activities

Safe Drinking Water Loan: On January 6, 2000 the City entered into a loan agreement with the Oregon Economic and Development Department for a \$1,500,000 loan with annual installments of \$58,122 and interest at 1% for water system improvements. The loan is secured by the full faith and credit of the City. In addition, the net revenues of the water system were pledged as payment for the loan. In the event of default, the State of Oregon can declare all amounts immediately due and payable.

OECD Water Loan: On January 6, 2000 the City entered into a loan agreement with the Oregon Economic and Development Department for a \$500,000 loan with annual installments of \$22,703 and interest at 1% for water system improvements. The loan is secured by the full faith and credit of the City. In addition, the net revenues of the water system were pledged as payment for the loan. In the event of default, the State of Oregon can declare all amounts immediately due and payable.

U. S. Bank Sewer Loan: On May 30, 2018 the City entered into a loan agreement with U. S. Bank for a \$745,000 loan with semiannual payments. Annual debt service amounts range from \$50,556 to \$54,631 including interest at 2% - 4%. The purpose of the loan was to refinance a USDA loan that had been obtained January 20, 1998. The loan is secured by the full faith and credit of the City. Upon default the creditor may take exercise any remedy available at law or in equity; however, the outstanding principal and payments due are not subject to acceleration.

Future debt service requirements are as follows:

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ 81,070	\$ 32,133	\$ 113,203
2021	81,580	30,723	112,303
2022	82,096	29,307	111,403
2023	82,617	27,886	110,503
2024	83,143	26,160	109,303
2025-2029	453,796	102,721	556,517
2030-2034	380,937	56,517	437,454
2035-2038	180,000	15,400	195,400
	\$ 1,425,239	\$ 320,848	\$ 1,746,087

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN

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

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

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

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

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

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

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

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

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

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

CITY OF YAMHILL, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

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

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2018 were 17.71% for Tier One/Tier Two employees, 9.90% for OPSRP general service employees, and 14.67% for OPSRP police/fire employees. The City's total contributions to PERS were \$98,950, for fiscal year ended June 30, 2019.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2018 were based on the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

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

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2019, the City reported a net pension liability of \$686,367 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on a December 31, 2016 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00453087% as of the June 30, 2018 measurement date, compared to 0.00438762% as of June 30, 2017.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.20%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2016.

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

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

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

CITY OF YAMHILL, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

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

	1% Decrease 6.20%	Current Rate 7.20%	1% Increase 8.20%
Proportionate share of the net pension liability	<u>\$ 1,147,049</u>	<u>\$ 686,367</u>	<u>\$ 306,112</u>

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

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$28,700 for the year ended June 30, 2019. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

TRANSFERS

	Transfers In	Transfers Out
General	\$ 35,000	\$ 8,032
Economic Development	-	85,000
Building	-	20,000
Admin Capital Expenditures Reserve	22,500	-
Police Vehicle Reserve	2,000	15,000
Park Reserve	500	-
Public Works Reserve	5,000	-
City Hall Reserve	1,500	-
Water	2,266	22,500
Water Depreciation	10,000	-
Water Debt	85,000	-
Sewer	2,266	30,500
Sewer Reserve	15,000	-
	<u>\$ 181,032</u>	<u>\$ 181,032</u>

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

CITY OF YAMHILL, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

CONTINGENCIES

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

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Oregon law prohibits expenditures in excess of council approved appropriations. For the year ended June 30, 2019, expenditures exceeded appropriations as follows:

<u><i>Fund / Appropriation category</i></u>	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance</i></u>
Water SDC			
Capital outlay	\$ 275,000	\$ 319,202	\$ (44,202)

INTERFUND LOANS

In 2012, the City adopted a resolution to approve an interfund loan in which the General Fund would receive equal amounts from the Water and Sewer Funds not to exceed \$39,650. Repayment of this interfund loan began in December of 2013. As of June 30, 2019, the General Fund owed the Water and Sewer Funds a total of \$13,455.

SUPPLEMENTAL INFORMATION

CITY OF YAMHILL, OREGON
COMBINING BALANCE SHEET (MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<i>Special Revenue</i>				<i>Capital Projects</i>					<i>Total</i>
	<i>Building</i>	<i>Economic Development</i>	<i>Street SDC</i>	<i>Sidewalk</i>	<i>Admin Capital Expenses Reserve</i>	<i>Police Vehicle Reserve</i>	<i>Public Works Reserve</i>	<i>Park Reserve</i>	<i>City Hall Reserve</i>	
ASSETS										
Cash and cash equivalents	\$ 9,791	\$ 69,758	\$ 40,544	\$ 41,002	\$ 10,068	\$ 3,180	\$ 9,153	\$ 4,532	\$ 12,233	\$ 200,261
LIABILITIES AND FUND BALANCE										
<i>Liabilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance										
Restricted for:										
Deposits	-	-	-	23,983	-	-	-	-	-	23,983
Construction	-	-	-	17,019	-	-	-	-	-	17,019
Streets	-	-	40,544	-	-	-	-	-	-	40,544
Committed to:										
Capital acquisitions	-	-	-	-	10,068	3,180	9,153	4,532	12,233	39,166
Economic development	-	69,758	-	-	-	-	-	-	-	69,758
Building inspection	9,791	-	-	-	-	-	-	-	-	9,791
<i>Total Fund Balance</i>	9,791	69,758	40,544	41,002	10,068	3,180	9,153	4,532	12,233	200,261
<i>Total Liabilities and Fund Balance</i>	\$ 9,791	\$ 69,758	\$ 40,544	\$ 41,002	\$ 10,068	\$ 3,180	\$ 9,153	\$ 4,532	\$ 12,233	\$ 200,261

CITY OF YAMHILL, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<i>Special Revenue</i>				<i>Capital Projects</i>						<i>Total</i>
	<i>Building</i>	<i>Economic Development</i>	<i>Street SDC</i>	<i>Sidewalk</i>	<i>Admin Capital Expenses Reserve</i>	<i>Police Vehicle Reserve</i>	<i>Public Works Reserve</i>	<i>Park Reserve</i>	<i>City Hall Reserve</i>		
REVENUES											
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 1,042	\$ 5,203	\$ -	\$ -	\$ -	\$ 6,245	
Licenses and permits	6,435	-	4,158	-	-	-	-	-	-	10,593	
Miscellaneous	492	2,887	432	528	410	205	155	84	155	5,348	
<i>Total Revenues</i>	6,927	2,887	4,590	528	1,452	5,408	155	84	155	22,186	
EXPENDITURES											
General government	6,708	2,183	-	-	23,990	-	-	2,500	-	35,381	
Capital acquisitions	-	-	-	-	-	-	1,794	-	-	1,794	
<i>Total Expenditures</i>	6,708	2,183	-	-	23,990	-	1,794	2,500	-	37,175	
REVENUES OVER (UNDER) EXPENDITURES	219	704	4,590	528	(22,538)	5,408	(1,639)	(2,416)	155	(14,989)	
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	22,500	2,000	5,000	500	1,500	31,500	
Transfers out	(20,000)	(85,000)	-	-	-	(15,000)	-	-	-	(120,000)	
<i>Total Other Financing Sources and Uses</i>	(20,000)	(85,000)	-	-	22,500	(13,000)	5,000	500	1,500	(88,500)	
NET CHANGE IN FUND BALANCE	(19,781)	(84,296)	4,590	528	(38)	(7,592)	3,361	(1,916)	1,655	(103,489)	
FUND BALANCE, beginning of year	29,572	154,054	35,954	40,474	10,106	10,772	5,792	6,448	10,578	303,750	
FUND BALANCE, end of year	\$ 9,791	\$ 69,758	\$ 40,544	\$ 41,002	\$ 10,068	\$ 3,180	\$ 9,153	\$ 4,532	\$ 12,233	\$ 200,261	

CITY OF YAMHILL, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 283,008	\$ 283,008	\$ 293,421	\$ 10,413
Fines and forfeitures	86,200	86,200	96,809	10,609
Licenses and permits	72,700	72,700	45,928	(26,772)
Charges for services	1,200	1,200	1,180	(20)
Intergovernmental	122,610	122,610	45,795	(76,815)
Miscellaneous	1,025,500	1,150,500	952,824	(197,676)
<i>Total Revenues</i>	1,591,218	1,716,218	1,435,957	(280,261)
EXPENDITURES				
Administration	194,500	319,500	252,459	67,041
Council	4,900	4,900	4,758	142
Municipal court	64,850	64,850	62,962	1,888
Parks	13,490	13,490	10,889	2,601
Planning	16,300	16,300	11,785	4,515
Police	381,610	381,610	363,931	17,679
Contingency	17,518	17,518	-	17,518
<i>Total Expenditures</i>	693,168	818,168	706,784	111,384
REVENUES OVER (UNDER) EXPENDITURES	898,050	898,050	729,173	(168,877)
OTHER FINANCING SOURCES (USES)				
Transfers in	110,000	110,000	35,000	(75,000)
Transfers out	(78,050)	(78,050)	(8,032)	70,018
<i>Total Other Financing Sources and Uses</i>	31,950	31,950	26,968	(4,982)
NET CHANGE IN FUND BALANCE	930,000	930,000	756,141	(173,859)
FUND BALANCE, beginning of year	50,000	50,000	57,296	7,296
FUND BALANCE, end of year	\$ 980,000	\$ 980,000	\$ 813,437	\$ (166,563)

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 2,500	\$ 2,500	\$ 4,058	\$ 1,558
Intergovernmental	50,000	50,000	78,815	28,815
Miscellaneous	750	750	3,728	2,978
<i>Total Revenues</i>	53,250	53,250	86,601	33,351
EXPENDITURES				
Personal services	46,287	46,287	37,754	8,533
Materials and services	130,000	130,000	88,132	41,868
Capital outlay	50,500	50,500	-	50,500
Contingency	26,463	26,463	-	26,463
<i>Total Expenditures</i>	253,250	253,250	125,886	127,364
NET CHANGE IN FUND BALANCE	(200,000)	(200,000)	(39,285)	160,715
FUND BALANCE, beginning of year	200,000	200,000	217,782	17,782
FUND BALANCE, end of year	\$ -	\$ -	\$ 178,497	\$ 178,497

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK SDC FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 3,023	\$ 3,023	\$ 9,069	\$ 6,046
Miscellaneous	750	750	2,936	2,186
<i>Total Revenues</i>	3,773	3,773	12,005	8,232
EXPENDITURES				
Capital outlay	200,000	200,000	27,876	172,124
Contingency	28,773	28,773	-	28,773
<i>Total Expenditures</i>	228,773	228,773	27,876	200,897
NET CHANGE IN FUND BALANCE	(225,000)	(225,000)	(15,871)	209,129
FUND BALANCE, beginning of year	225,000	225,000	258,928	33,928
FUND BALANCE, end of year	\$ -	\$ -	\$ 243,057	\$ 243,057

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - BUILDING FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 4,225	\$ 4,225	\$ 6,435	\$ 2,210
Miscellaneous	100	100	492	392
<i>Total Revenues</i>	4,325	4,325	6,927	2,602
EXPENDITURES				
Personal services	7,900	7,900	6,708	1,192
Materials and services	1,125	1,125	-	1,125
Contingency	4,300	4,300	-	4,300
<i>Total Expenditures</i>	13,325	13,325	6,708	6,617
REVENUES OVER (UNDER) EXPENDITURES	(9,000)	(9,000)	219	9,219
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(20,000)	5,000
NET CHANGE IN FUND BALANCE	(34,000)	(34,000)	(19,781)	14,219
FUND BALANCE, beginning of year	34,000	34,000	29,572	(4,428)
FUND BALANCE, end of year	\$ -	\$ -	\$ 9,791	\$ 9,791

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,400	\$ 1,400	\$ 2,887	\$ 1,487
EXPENDITURES				
Personal services	2,550	2,550	2,183	367
Materials and services	22,050	22,050	-	22,050
Contingency	130,300	45,300	-	45,300
<i>Total Expenditures</i>	154,900	69,900	2,183	67,717
REVENUES OVER (UNDER) EXPENDITURES	(153,500)	(68,500)	704	69,204
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	70,000	-	(70,000)
Transfers out	(70,000)	(155,000)	(85,000)	70,000
<i>Total Other Financing Sources and Uses</i>	-	(85,000)	(85,000)	-
NET CHANGE IN FUND BALANCE	(153,500)	(153,500)	(84,296)	69,204
FUND BALANCE, beginning of year	153,500	153,500	154,054	554
FUND BALANCE, end of year	\$ -	\$ -	\$ 69,758	\$ 69,758

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET SDC FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,929	\$ 1,929	\$ 4,158	\$ 2,229
Miscellaneous	125	125	432	307
<i>Total Revenues</i>	2,054	2,054	4,590	2,536
EXPENDITURES				
Capital outlay	30,000	30,000	-	30,000
NET CHANGE IN FUND BALANCE	(27,946)	(27,946)	4,590	32,536
FUND BALANCE, beginning of year	30,000	30,000	35,954	5,954
FUND BALANCE, end of year	\$ 2,054	\$ 2,054	\$ 40,544	\$ 38,490

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SIDEWALK FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Miscellaneous	100	100	528	428
<i>Total Revenues</i>	1,100	1,100	528	(572)
EXPENDITURES				
Materials and services	32,500	32,500	-	32,500
Contingency	8,600	8,600	-	8,600
<i>Total Expenditures</i>	41,100	41,100	-	41,100
NET CHANGE IN FUND BALANCE	(40,000)	(40,000)	528	40,528
FUND BALANCE, beginning of year	40,000	40,000	40,474	474
FUND BALANCE, end of year	\$ -	\$ -	\$ 41,002	\$ 41,002

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - ADMIN CAPITAL EXPENSES RESERVE FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Fines and forfeitures	\$ 800	\$ 800	\$ 1,042	\$ 242
Miscellaneous	100	100	410	310
<i>Total Revenues</i>	900	900	1,452	552
EXPENDITURES				
Materials and services	30,200	30,200	23,990	6,210
REVENUES OVER (UNDER) EXPENDITURES	(29,300)	(29,300)	(22,538)	6,762
OTHER FINANCING SOURCES (USES)				
Transfers in	22,500	22,500	22,500	-
NET CHANGE IN FUND BALANCE	(6,800)	(6,800)	(38)	6,762
FUND BALANCE, beginning of year	8,500	8,500	10,106	1,606
FUND BALANCE, end of year	\$ 1,700	\$ 1,700	\$ 10,068	\$ 8,368

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - POLICE VEHICLE RESERVE FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Fines and forfeitures	\$ 4,400	\$ 4,400	\$ 5,203	\$ 803
Miscellaneous	125	125	205	80
<i>Total Revenues</i>	4,525	4,525	5,408	883
EXPENDITURES				
Materials and services	500	500	-	500
REVENUES OVER (UNDER) EXPENDITURES	4,025	4,025	5,408	1,383
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	2,000	2,000	-
Transfers out	(15,000)	(15,000)	(15,000)	-
<i>Total Other Financing Sources and Uses</i>	(13,000)	(13,000)	(13,000)	-
NET CHANGE IN FUND BALANCE	(8,975)	(8,975)	(7,592)	1,383
FUND BALANCE, beginning of year	9,500	9,500	10,772	1,272
FUND BALANCE, end of year	\$ 525	\$ 525	\$ 3,180	\$ 2,655

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PUBLIC WORKS RESERVE FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 75	\$ 75	\$ 155	\$ 80
EXPENDITURES				
Capital outlay	11,000	11,000	1,794	9,206
REVENUES OVER (UNDER) EXPENDITURES	(10,925)	(10,925)	(1,639)	9,286
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
NET CHANGE IN FUND BALANCE	(5,925)	(5,925)	3,361	9,286
FUND BALANCE, beginning of year	7,000	7,000	5,792	(1,208)
FUND BALANCE, end of year	\$ 1,075	\$ 1,075	\$ 9,153	\$ 8,078

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK RESERVE FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 25	\$ 25	\$ 84	\$ 59
EXPENDITURES				
Materials and services	5,000	5,000	2,500	2,500
REVENUES OVER (UNDER) EXPENDITURES	(4,975)	(4,975)	(2,416)	2,559
OTHER FINANCING SOURCES (USES)				
Transfers in	500	500	500	-
NET CHANGE IN FUND BALANCE	(4,475)	(4,475)	(1,916)	2,559
FUND BALANCE, beginning of year	6,000	6,000	6,448	448
FUND BALANCE, end of year	\$ 1,525	\$ 1,525	\$ 4,532	\$ 3,007

CITY OF YAMHILL, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - CITY HALL RESERVE FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 75	\$ 75	\$ 155	\$ 80
EXPENDITURES				
Capital outlay	10,000	10,000	-	10,080
REVENUES OVER (UNDER) EXPENDITURES	(9,925)	(9,925)	155	10,080
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500	1,500	1,500	-
NET CHANGE IN FUND BALANCE	(8,425)	(8,425)	1,655	10,080
FUND BALANCE, beginning of year	10,500	10,500	10,578	78
FUND BALANCE, end of year	\$ 2,075	\$ 2,075	\$ 12,233	\$ 10,158

CITY OF YAMHILL, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - WATER OPERATIONS

YEAR ENDED JUNE 30, 2019

	<u>Water</u>	<u>Water SDC</u>	<u>Water Debt Service</u>	<u>Water Depreciation</u>	<u>Total Water Operations</u>
REVENUES					
Licenses and permits	\$ -	\$ 15,029	\$ -	\$ -	\$ 15,029
Charges for services	347,417	-	108,307	-	455,724
Miscellaneous	24,680	4,020	2,316	579	31,595
<i>Total Revenues</i>	<u>372,097</u>	<u>19,049</u>	<u>110,623</u>	<u>579</u>	<u>502,348</u>
EXPENDITURES					
Personal services	200,882	-	-	-	200,882
Materials and services	148,035	-	-	-	148,035
Debt service					
Principal	-	-	224,282	-	224,282
Interest	-	-	9,861	-	9,861
Capital outlay	1,598	319,202	-	4,402	325,202
<i>Total Expenditures</i>	<u>350,515</u>	<u>319,202</u>	<u>234,143</u>	<u>4,402</u>	<u>908,262</u>
REVENUES OVER (UNDER) EXPENDITURES	21,582	(300,153)	(123,520)	(3,823)	(405,914)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,266	-	85,000	10,000	97,266
Transfers out	(22,500)	-	-	-	(22,500)
<i>Total Other Financing Sources and Uses</i>	<u>(20,234)</u>	<u>-</u>	<u>85,000</u>	<u>10,000</u>	<u>74,766</u>
CHANGE IN FUND BALANCE	1,348	(300,153)	(38,520)	6,177	(331,148)
FUND BALANCE, beginning of year	<u>92,234</u>	<u>340,561</u>	<u>129,633</u>	<u>36,443</u>	<u>598,871</u>
FUND BALANCE, end of year	<u>\$ 93,582</u>	<u>\$ 40,408</u>	<u>\$ 91,113</u>	<u>\$ 42,620</u>	<u>\$ 267,723</u>

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 296,000	\$ 296,000	\$ 347,417	\$ 51,417
Miscellaneous	2,000	2,000	24,680	22,680
<i>Total Revenues</i>	298,000	298,000	372,097	74,097
EXPENDITURES				
Personal services	225,171	225,171	200,882	24,289
Materials and services	154,700	154,700	148,035	6,665
Capital outlay	2,000	2,000	1,598	402
Contingency	10,899	10,899	-	10,899
<i>Total Expenditures</i>	392,770	392,770	350,515	42,255
REVENUES OVER (UNDER) EXPENDITURES	(94,770)	(94,770)	21,582	116,352
OTHER FINANCING SOURCES (USES)				
Transfers in	2,270	2,270	2,266	(4)
Transfers out	(22,500)	(22,500)	(22,500)	-
<i>Total Other Financing Sources and Uses</i>	(20,230)	(20,230)	(20,234)	(4)
CHANGE IN FUND BALANCE	(115,000)	(115,000)	1,348	116,348
FUND BALANCE, beginning of year	115,000	115,000	92,234	(22,766)
FUND BALANCE, end of year	\$ -	\$ -	\$ 93,582	\$ 93,582

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER SDC FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 11,734	\$ 11,734	\$ 15,029	\$ 3,295
Miscellaneous	1,500	1,500	4,020	2,520
<i>Total Revenues</i>	13,234	13,234	19,049	5,815
EXPENDITURES				
Capital outlay	275,000	275,000	319,202	(44,202)
CHANGE IN FUND BALANCE	(261,766)	(261,766)	(300,153)	(38,387)
FUND BALANCE, beginning of year	300,000	300,000	340,561	40,561
FUND BALANCE, end of year	\$ 38,234	\$ 38,234	\$ 40,408	\$ 2,174

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 80,000	\$ 80,000	\$ 108,307	\$ 28,307
Miscellaneous	500	500	2,316	1,816
<i>Total Revenues</i>	80,500	80,500	110,623	30,123
EXPENDITURES				
Debt service				
Principal	70,823	155,823	224,282	(68,459) *
Interest	10,005	10,005	9,861	144
<i>Total Expenditures</i>	80,828	165,828	234,143	(68,315)
EXPENDITURES	(328)	(85,328)	(123,520)	(38,192)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	85,000	85,000	-
CHANGE IN FUND BALANCE	(328)	(328)	(38,520)	(38,192)
FUND BALANCE, beginning of year	100,000	100,000	129,633	29,633
FUND BALANCE, end of year	\$ 99,672	\$ 99,672	\$ 91,113	\$ (8,559)

* The excess of debt service expenditures over appropriations in the Water Debt Service Fund is not a violation of Local Budget Law due to the provisions of ORS 294-338(5), which states that debt service reserves used to pay or defease debt service may be made without adopting a supplemental budget.

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$ 579	\$ 479
EXPENDITURES				
Capital outlay	40,500	40,500	4,402	36,098
Contingency	4,600	4,600	-	4,600
<i>Total Expenditures</i>	45,100	45,100	4,402	40,698
REVENUES OVER (UNDER) EXPENDITURES	(45,000)	(45,000)	(3,823)	41,177
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
CHANGE IN FUND BALANCE	(35,000)	(35,000)	6,177	41,177
FUND BALANCE, beginning of year	35,000	35,000	36,443	1,443
FUND BALANCE, end of year	\$ -	\$ -	\$ 42,620	\$ 42,620

CITY OF YAMHILL, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - SEWER OPERATIONS**

YEAR ENDED JUNE 30, 2019

	<u>Sewer</u>	<u>Sewer SDC</u>	<u>Sewer Debt Service</u>	<u>Sewer Reserve</u>	<u>Storm Water SDC</u>	<u>Total Sewer Operations</u>
REVENUES						
Licenses and permits	\$ -	\$ 8,683	\$ -	\$ -	\$ 3,218	\$ 11,901
Charges for services	282,699	-	84,049	-	-	366,748
Miscellaneous	20,261	1,528	1,996	581	-	24,366
<i>Total Revenues</i>	302,960	10,211	86,045	581	3,218	403,015
EXPENDITURES						
Personal services	193,676	-	-	-	-	193,676
Materials and services	78,952	-	-	-	-	78,952
Debt service						
Principal	-	-	25,000	-	-	25,000
Interest	-	-	27,681	-	-	27,681
Capital outlay	-	-	-	8,488	-	8,488
<i>Total Expenditures</i>	272,628	-	52,681	8,488	-	333,797
REVENUES OVER (UNDER) EXPENDITURES	30,332	10,211	33,364	(7,907)	3,218	69,218
OTHER FINANCING SOURCES (USES)						
Transfers in	2,266	-	-	15,000	-	17,266
Transfers out	(30,500)	-	-	-	-	(30,500)
<i>Total Other Financing Sources and Uses</i>	(28,234)	-	-	15,000	-	(13,234)
CHANGE IN FUND BALANCE	2,098	10,211	33,364	7,093	3,218	55,984
FUND BALANCE, beginning of year	105,429	118,503	108,981	35,255	-	368,168
FUND BALANCE, end of year	\$ 107,527	\$ 128,714	\$ 142,345	\$ 42,348	\$ 3,218	\$ 424,152

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 237,300	\$ 237,300	\$ 282,699	\$ 45,399
Miscellaneous	1,250	1,250	20,261	19,011
<i>Total Revenues</i>	238,550	238,550	302,960	64,410
EXPENDITURES				
Personal services	218,532	218,532	193,676	24,856
Materials and services	82,400	82,400	78,952	3,448
Capital outlay	2,500	2,500	-	2,500
Contingency	6,868	6,868	-	6,868
<i>Total Expenditures</i>	310,300	310,300	272,628	37,672
REVENUES OVER (UNDER) EXPENDITURES	(71,750)	(71,750)	30,332	102,082
OTHER FINANCING SOURCES (USES)				
Transfers in	2,250	2,250	2,266	16
Transfers out	(30,500)	(30,500)	(30,500)	-
<i>Total Other Financing Sources and Uses</i>	(28,250)	(28,250)	(28,234)	16
CHANGE IN FUND BALANCE	(100,000)	(100,000)	2,098	102,098
FUND BALANCE, beginning of year	100,000	100,000	105,429	5,429
FUND BALANCE, end of year	\$ -	\$ -	\$ 107,527	\$ 107,527

CITY OF YAMHILL, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER SDC FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 3,618	\$ 3,618	\$ 8,683	\$ 5,065
Miscellaneous	450	450	1,528	1,078
<i>Total Revenues</i>	4,068	4,068	10,211	6,143
EXPENDITURES				
Capital outlay	100,000	100,000	-	100,000
CHANGE IN FUND BALANCE	(95,932)	(95,932)	10,211	106,143
FUND BALANCE, beginning of year	115,000	115,000	118,503	3,503
FUND BALANCE, end of year	\$ 19,068	\$ 19,068	\$ 128,714	\$ 109,646

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 75,000	\$ 75,000	\$ 84,049	\$ 9,049
Miscellaneous	500	500	1,996	1,496
<i>Total Revenues</i>	75,500	75,500	86,045	10,545
EXPENDITURES				
Debt service				
Principal	21,100	21,100	25,000	(3,900)
Interest	36,190	36,190	27,681	8,509
<i>Total Expenditures</i>	57,290	57,290	52,681	4,609
CHANGE IN FUND BALANCE	18,210	18,210	33,364	15,154
FUND BALANCE, beginning of year	80,000	80,000	108,981	28,981
FUND BALANCE, end of year	\$ 98,210	\$ 98,210	\$ 142,345	\$ 44,135

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER RESERVE FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 150	\$ 150	\$ 581	\$ 431
EXPENDITURES				
Capital outlay	40,000	40,000	8,488	31,512
REVENUES OVER (UNDER)				
EXPENDITURES	(39,850)	(39,850)	(7,907)	31,943
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
CHANGE IN FUND BALANCE	(24,850)	(24,850)	7,093	31,943
FUND BALANCE, beginning of year	30,000	30,000	35,255	5,255
FUND BALANCE, end of year	\$ 5,150	\$ 5,150	\$ 42,348	\$ 37,198

CITY OF YAMHILL, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STORMWATER SDC FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,609	\$ 1,609	\$ 3,218	\$ 1,609
EXPENDITURES				
Capital outlay	1,000	1,000	-	1,000
CHANGE IN FUND BALANCE	609	609	3,218	2,609
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ 609	\$ 609	\$ 3,218	\$ 2,609

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
City of Yamhill
P.O. Box 9
Yamhill, Oregon 97148

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Yamhill, Oregon as of and for the year ended June 30, 2019, and have issued our report thereon dated November 1, 2019.

Compliance and Other Matters

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

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

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

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

1. Loan covenants require GAAP-basis financial statements. The City prepares its financial statements on the modified cash basis. The lender has consistently waived this requirement.
2. Expenditures exceeded appropriations as described in the notes to the financial statements.


Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By: 

Devan W. Esch, A Shareholder
November 1, 2019