



CITY OF SCIO
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2019



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
436 1st Avenue W | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

CITY OF SCIO
Linn County, Oregon

CITY OFFICIALS

June 30, 2019

MAYOR

Chadd Weaver
P.O. Box 673
Scio, Oregon 97374

CITY COUNCIL

Debbie Nuber, President
P.O. Box 46
Scio, Oregon 97374

Wolfgang Borchard (7/1/18 – 12/31/18)
P.O. Box 291
Scio, Oregon 97374

Karen Eckhart
P.O. Box 844
Scio, Oregon 97374

Joey Ferguson
P.O. Box 277
Scio, Oregon 97374

Tom Gray
P.O. Box 336
Scio, Oregon 97374

Tom Meyer (9/10/18 – 6/30/19)
38835 SW 2nd Ave
Scio, Oregon 97374

Dennis Thomas
P.O. Box 423
Scio, Oregon 97374

CITY MANAGER

Virginia Allen
P.O. Box 37
Scio, Oregon 97374

CITY OF SCIO
Linn County, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Chadd Weaver, Mayor
and Members of the City Council
City of Scio
Scio, Oregon 97374

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Scio, Linn County, 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 described in Note I; 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 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 of 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 judgments, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 appropriated to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Scio, Linn County, Oregon 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 on the basis of accounting described in Note I.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2019, the City adopted new accounting guidance: GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. Our opinions are not modified with respect to that matter.

Basis of Accounting

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

Other Matters

The budgetary comparison information on pages 31 through 32 and 33 through 37 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to that 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 5, 2019 on our tests of the City's compliance with certain provisions of laws and regulations 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.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
December 5, 2019

BASIC FINANCIAL STATEMENTS

CITY OF SCIO
Linn County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 411,995	\$ 720,418	\$ 1,132,413
Restricted assets			
Cash and cash equivalents	28,566	-	28,566
Capital assets not being depreciated	76,120	15,683	91,803
Capital assets being depreciated, net	551,342	1,050,971	1,602,313
Total assets	1,068,023	1,787,072	2,855,095
LIABILITIES			
Current liabilities			
Long-term debt, current portion	-	18,793	18,793
Noncurrent liabilities			
Long-term debt, less current portion	-	202,065	202,065
Total liabilities	-	220,858	220,858
NET POSITION			
Net investment in capital assets	627,462	845,796	1,473,258
Restricted	28,566	-	28,566
Unrestricted	411,995	720,418	1,132,413
Total net position	\$ 1,068,023	\$ 1,566,214	\$ 2,634,237

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2019

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Governmental activities						
General government	\$ 213,180	\$ 10,909	\$ 4,000	\$ (198,271)	\$ -	\$ (198,271)
Public safety	56,160	609	-	(55,551)	-	(55,551)
Highways and streets	37,368	-	-	(37,368)	-	(37,368)
Unallocated depreciation	<u>37,372</u>	<u>-</u>	<u>-</u>	<u>(37,372)</u>	<u>-</u>	<u>(37,372)</u>
Total governmental activities	<u>\$ 344,080</u>	<u>\$ 11,518</u>	<u>\$ 4,000</u>	<u>(328,562)</u>	<u>-</u>	<u>(328,562)</u>
Water	\$ 239,222	\$ 292,163	\$ -	-	52,941	52,941
Sewer	<u>276,971</u>	<u>202,412</u>	<u>-</u>	<u>-</u>	<u>(74,559)</u>	<u>(74,559)</u>
Total business-type activities	<u>\$ 516,193</u>	<u>\$ 494,575</u>	<u>\$ -</u>	<u>-</u>	<u>(21,618)</u>	<u>(21,618)</u>
General revenues						
Property taxes				259,923	-	259,923
State highway tax				66,434	-	66,434
Alcohol and cigarette taxes				17,700	-	17,700
Franchise fees				39,632	-	39,632
Intergovernmental				8,821	-	8,821
Library				5,807	-	5,807
Investment earnings				-	12,552	12,552
Miscellaneous				<u>3,273</u>	<u>457</u>	<u>3,730</u>
Total general revenues				401,590	13,009	414,599
Transfers				<u>45,000</u>	<u>(45,000)</u>	<u>-</u>
Total general revenues and transfers				<u>446,590</u>	<u>(31,991)</u>	<u>414,599</u>
Change in net position				118,028	(53,609)	64,419
Net position - beginning				<u>949,995</u>	<u>1,619,823</u>	<u>2,569,818</u>
Net position - ending				<u>\$ 1,068,023</u>	<u>\$ 1,566,214</u>	<u>\$ 2,634,237</u>

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

CITY OF SCIO
Linn County, Oregon

BALANCE SHEET - CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Road Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 341,953	\$ 98,608	\$ 440,561
FUND BALANCES			
Restricted	\$ -	\$ 28,566	\$ 28,566
Committed	-	70,042	70,042
Unassigned	341,953	-	341,953
Total fund balances	\$ 341,953	\$ 98,608	\$ 440,561

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

CITY OF SCIO
Linn County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2019

Total fund balances - governmental funds		\$ 440,561
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	1,655,885	
Accumulated depreciation	<u>(1,028,423)</u>	<u>627,462</u>
Net position of governmental activities		\$ <u>1,068,023</u>

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CASH BASIS

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	General Fund	Road Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 259,923	\$ -	\$ 259,923
State highway taxes	-	66,434	66,434
Alcohol and cigarette taxes	17,700	-	17,700
Franchise fees	19,816	19,816	39,632
State revenue sharing	8,821	-	8,821
Grants	4,000	-	4,000
Library	5,807	-	5,807
Fees and charges	10,909	-	10,909
Fines and forfeitures	609	-	609
Miscellaneous	2,974	299	3,273
Total revenues	330,559	86,549	417,108
EXPENDITURES			
Current			
General government	208,724	-	208,724
Public safety	56,160	-	56,160
Highways and streets	-	37,368	37,368
Capital outlay	99,576	500	100,076
Total expenditures	364,460	37,868	402,328
Excess (deficiency) of revenues over (under) expenditures	(33,901)	48,681	14,780
OTHER FINANCING SOURCES (USES)			
Transfers in	120,000	-	120,000
Transfers out	-	(75,000)	(75,000)
Total other financing sources (uses)	120,000	(75,000)	45,000
Net change in fund balance	86,099	(26,319)	59,780
Fund balances - beginning	255,854	124,927	380,781
Fund balances - ending	\$ 341,953	\$ 98,608	\$ 440,561

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

CITY OF SCIO
Linn County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

Net change in fund balances - governmental funds	\$	59,780
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.		
Capital asset purchases	95,620	
Less current year depreciation	<u>(37,372)</u>	<u>58,248</u>
Change in net position of governmental activities	\$	<u><u>118,028</u></u>

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2019

	Business-Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	Totals
ASSETS						
Current assets						
Cash and cash equivalents	\$ 196,212	\$ 34,232	\$ 114,514	\$ 282,823	\$ 92,637	\$ 720,418
Capital assets not being depreciated	14,033	1,650	-	-	-	15,683
Capital assets being depreciated, net	933,766	117,205	-	-	-	1,050,971
Total assets	1,144,011	153,087	114,514	282,823	92,637	1,787,072
LIABILITIES						
Current liabilities						
Long-term debt, current portion	18,793	-	-	-	-	18,793
Noncurrent liabilities						
Long-term debt, less current portion	202,065	-	-	-	-	202,065
Total liabilities	220,858	-	-	-	-	220,858
NET POSITION						
Net investment in capital assets	726,941	118,855	-	-	-	845,796
Unrestricted	196,212	34,232	114,514	282,823	92,637	720,418
Total net position	\$ 923,153	\$ 153,087	\$ 114,514	\$ 282,823	\$ 92,637	\$ 1,566,214

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	Totals
Operating revenues						
Charges for services	\$ 278,163	\$ 192,412	\$ -	\$ -	\$ -	\$ 470,575
Operating expenses						
Personnel services	116,474	119,474	-	-	-	235,948
Materials and services	54,828	136,574	-	-	-	191,402
Repairs and maintenance	725	791	-	-	-	1,516
Depreciation	<u>61,181</u>	<u>20,132</u>	-	-	-	<u>81,313</u>
Total operating expenses	<u>233,208</u>	<u>276,971</u>	-	-	-	<u>510,179</u>
Operating income (loss)	44,955	(84,559)	-	-	-	(39,604)
Nonoperating revenues (expenses)						
System development charges	14,000	10,000	-	-	-	24,000
Investment earnings	7,498	-	1,425	2,766	863	12,552
Miscellaneous revenues	457	-	-	-	-	457
Interest and debt issuance expense	<u>(6,014)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,014)</u>
Total nonoperating revenues (expenses)	<u>15,941</u>	<u>10,000</u>	<u>1,425</u>	<u>2,766</u>	<u>863</u>	<u>30,995</u>
Income (loss) before transfers	<u>60,896</u>	<u>(74,559)</u>	<u>1,425</u>	<u>2,766</u>	<u>863</u>	<u>(8,609)</u>
Transfers in	-	-	50,000	85,000	-	135,000
Transfers out	<u>(160,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
Change in net position	(99,104)	(74,559)	31,425	87,766	863	(53,609)
Net position - beginning	<u>1,022,257</u>	<u>227,646</u>	<u>83,089</u>	<u>195,057</u>	<u>91,774</u>	<u>1,619,823</u>
Net position - ending	<u>\$ 923,153</u>	<u>\$ 153,087</u>	<u>\$ 114,514</u>	<u>\$ 282,823</u>	<u>\$ 92,637</u>	<u>\$ 1,566,214</u>

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds					Totals
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 278,163	\$ 192,412	\$ -	\$ -	\$ -	\$ 470,575
Cash payments to employees	(116,474)	(119,474)	-	-	-	(235,948)
Cash payments to suppliers	(55,553)	(137,365)	-	-	-	(192,918)
Net cash provided (used) by operating activities	<u>106,136</u>	<u>(64,427)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,709</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Miscellaneous revenues	457	-	-	-	-	457
Transfers in	-	-	50,000	85,000	-	135,000
Transfers out	(160,000)	-	(20,000)	-	-	(180,000)
Net cash provided (used) by noncapital financing activities	<u>(159,543)</u>	<u>-</u>	<u>30,000</u>	<u>85,000</u>	<u>-</u>	<u>(44,543)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
System development charges	14,000	10,000	-	-	-	24,000
Capital asset purchases	-	(13,851)	-	-	-	(13,851)
Long-term debt payments	(50,332)	-	-	-	-	(50,332)
Net cash provided (used) by capital and related financing activities	<u>(36,332)</u>	<u>(3,851)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,183)</u>

(Continued)

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2019

(Continued)

	Business-Type Activities - Enterprise Funds					Totals
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	\$ 7,498	\$ -	\$ 1,425	\$ 2,766	\$ 863	\$ 12,552
Net increase (decrease) in cash and cash equivalents	(82,241)	(68,278)	31,425	87,766	863	(30,465)
Cash and cash equivalents - beginning	278,453	102,510	83,089	195,057	91,774	750,883
Cash and cash equivalents - ending	<u>\$ 196,212</u>	<u>\$ 34,232</u>	<u>\$ 114,514</u>	<u>\$ 282,823</u>	<u>\$ 92,637</u>	<u>\$ 720,418</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 44,955	\$ (84,559)	\$ -	\$ -	\$ -	\$ (39,604)
Adjustments to reconcile operating income (loss) to net cash:						
Depreciation	61,181	20,132	-	-	-	81,313
Net cash provided (used) by operating activities	<u>\$ 106,136</u>	<u>\$ (64,427)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,709</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Scio have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. Governmental Activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The government of the City consists of an elected mayor and six council members. The mayor serves a four-year term and the council members serve four-year terms. The city council appoints the city manager, an additional officer of the City. The City provides contracted police protection, water and sewer services, road maintenance and improvements, other public improvements, planning, zoning, library, senior and general administrative services to citizens within the City's limits.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Special Revenue Fund

Road Fund – The Road Fund accounts for the receipt and expenditure of financial resources that are generally restricted for use on the City's streets.

The City reports the following major proprietary funds:

Enterprise Funds

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water system.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

Equipment Reserve Fund – The Equipment Reserve Fund accounts for the accumulation of resources for the replacement of capital equipment. The primary revenues are transfers in.

Water Reserve Fund – The Water Reserve Fund accounts for the accumulation of resources for the upgrading of the City's water system. The primary revenues are transfers in.

Sewer Reserve Fund – The Sewer Reserve Fund accounts for the accumulation of resources for the upgrading of the City's sewer system. The primary revenues are transfers in.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated, so that only the net amount is included as transfers in the governmental column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below.

Governmental fund financial statements are reported using the current financial resources measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available expendable financial resources during a given period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is as an other financing source.

Proprietary fund financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows.

In the government-wide financial statements and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, fund balance/net position, revenues, and expenditures when they result from cash transactions, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would be presented on the accrual basis of accounting.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

F. Budgetary Information

1. Budgetary Basis of Accounting

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds on the cash basis.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, interfund transfers, and operating contingencies are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories, and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by use of appropriation transfers between the levels of control. Such transfers require approval by the city council.

During the year, there were no supplemental budgets. The City does not use encumbrances, and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

G. Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

2. Investments

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

3. Capital Assets

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and equipment	5-20
Buildings and improvements	5-50
Infrastructure	5-50

4. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations arising from cash basis transactions are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Management has determined that the bonds outstanding method approximates the effective interest method.

CITY OF SCIO
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned, fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments, generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

H. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

I. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

2. Retirement Plans

The City has adopted a Simplified Employee Pension - Individual Retirement Account (SEP-IRA) for the benefit of its employees. Under a SEP-IRA, the City may make contributions directly to its employees' individual retirement accounts.

3. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Water Capital Projects Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF SCIO
Linn County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Public Contracting Violation

The City was not in compliance with ORS Chapters 279A, 279B, and 279C as they relate to public contracts and purchasing.

B. Oregon Budget Law Violation

The City expended funds in excess of appropriations in one fund, which is in violation of ORS 294.150, as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Equipment Reserve Fund	Transfers out	\$ -	\$ 20,000	\$ 20,000

C. Budget Change Resolutions Violation

The City was not in compliance with ORS 294.463 as it related to budget change resolutions.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

The City of Scio maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds hold separate cash accounts.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

The City participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORC) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments.

CITY OF SCIO
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset.

The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2019.

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Level 2</u>
Investments	
LGIP	<u>\$ 786,128</u>

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Investments

As of June 30, 2019, the City had the following investments:

	<u>Credit Quality</u> <u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	\$ <u>786,128</u>

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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.

The City holds accounts at Columbia Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2019, the City had deposits of \$250,000 covered by FDIC insurance and \$144,268 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2019 are as follows:

Checking accounts	\$ 374,851
Total investments	<u>786,128</u>
Total deposits and investments	<u><u>\$ 1,160,979</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 341,953
Road Fund	<u>70,042</u>
Total governmental activities - unrestricted	411,995
Business-type activities - unrestricted	
Water Fund	196,212
Sewer Fund	34,232
Equipment Reserve Fund	114,514
Water Reserve Fund	282,823
Sewer Reserve Fund	<u>92,637</u>
Total business-type activities - unrestricted	720,418
Subtotal unrestricted cash and investments	<u>1,132,413</u>
Governmental activities - restricted	
Road Fund	<u>28,566</u>
Total cash and investments	<u><u>\$ 1,160,979</u></u>

Restricted cash is for road maintenance.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

B. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 500	\$ 75,620	\$ -	\$ 76,120
Capital assets being depreciated				
Buildings and improvements	98,773	-	-	98,773
Vehicles and equipment	39,243	20,000	-	59,243
Infrastructure	<u>1,421,749</u>	<u>-</u>	<u>-</u>	<u>1,421,749</u>
Total capital assets being depreciated	<u>1,559,765</u>	<u>20,000</u>	<u>-</u>	<u>1,579,765</u>
Less accumulated depreciation for				
Buildings and improvements	(43,974)	(1,542)	-	(45,516)
Vehicles and equipment	(27,488)	(3,915)	-	(31,403)
Infrastructure	<u>(919,589)</u>	<u>(31,915)</u>	<u>-</u>	<u>(951,504)</u>
Total accumulated depreciation	<u>(991,051)</u>	<u>(37,372)</u>	<u>-</u>	<u>(1,028,423)</u>
Total capital assets being depreciated, net	<u>568,714</u>	<u>(17,372)</u>	<u>-</u>	<u>551,342</u>
Governmental activities capital assets, net	<u>\$ 569,214</u>	<u>\$ 58,248</u>	<u>\$ -</u>	<u>\$ 627,462</u>

(Continued)

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

(Continued)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 15,683	\$ -	\$ -	\$ 15,683
Capital assets being depreciated				
Buildings and improvements	19,111	-	-	19,111
Vehicles and equipment	180,708	13,851	-	194,559
Infrastructure	<u>3,013,508</u>	<u>-</u>	<u>-</u>	<u>3,013,508</u>
Total capital assets being depreciated	<u>3,213,327</u>	<u>13,851</u>	<u>-</u>	<u>3,227,178</u>
Less accumulated depreciation for				
Buildings and improvements	(18,939)	(76)	-	(19,015)
Vehicles and equipment	(148,016)	(4,193)	-	(152,209)
Infrastructure	<u>(1,927,939)</u>	<u>(77,044)</u>	<u>-</u>	<u>(2,004,983)</u>
Total accumulated depreciation	<u>(2,094,894)</u>	<u>(81,313)</u>	<u>-</u>	<u>(2,176,207)</u>
Total capital assets being depreciated, net	<u>1,118,433</u>	<u>(67,462)</u>	<u>-</u>	<u>1,050,971</u>
Business-type activities capital assets, net	<u>\$ 1,134,116</u>	<u>\$ (67,462)</u>	<u>\$ -</u>	<u>\$ 1,066,654</u>

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 76,120	\$ -	\$ 76,120
Buildings and improvements	98,773	(45,516)	53,257
Vehicles and equipment	59,243	(31,403)	27,840
Infrastructure	1,421,749	(951,504)	470,245
Total governmental activities capital assets	1,655,885	(1,028,423)	627,462
Business-type activities			
Land	15,683	-	15,683
Buildings and improvements	19,111	(19,015)	96
Vehicles and equipment	194,559	(152,209)	42,350
Infrastructure	3,013,508	(2,004,983)	1,008,525
Total business-type activities capital assets	3,242,861	(2,176,207)	1,066,654
Total capital assets	\$ 4,898,746	\$ (3,204,630)	\$ 1,694,116

Governmental capital assets of the City are for the use of the entire City and are therefore unallocated. Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
Unallocated depreciation	\$ 37,372
Business-type activities	
Water	\$ 61,181
Sewer	20,132
Total	\$ 81,313

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

C. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities arising from cash transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Columbia Bank Loan	2.440%	\$ 316,847	\$ 265,176	-	\$ 44,318	\$ 220,858	\$ 18,793

2. Business-Type Activity Loan Payable

Loans are direct obligations that pledge the full faith and credit of the City. The City used proceeds from the loan for a water project, which was completed in 1998. The terms of the loan required annual payments, including interest at 5.125% per annum. The City refinanced the loan on November 30, 2016. Payments are due monthly, including interest at 2.440% per annum. A balloon payment is due December 15, 2023. The Water Fund has traditionally been used to liquidate the City's long-term debt.

3. Business-Type Activity Future Maturities of Long-Term Liabilities

Year Ending June 30	Loan		
	Principal	Interest	Total
2020	\$ 18,793	\$ 6,539	\$ 25,332
2021	19,281	6,051	25,332
2022	19,763	5,568	25,331
2023	20,258	5,074	25,332
2024	142,763	27,688	170,451
	<u>\$ 220,858</u>	<u>\$ 50,920</u>	<u>\$ 271,778</u>

4. Interest Expense

Interest expense was charged to function/program of the City as follows:

Business-type activities	
Water	\$ <u>6,014</u>

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

D. Interfund Transfers

Interfund transfers are reported as follows:

	Transfers in:			Total
	General Fund	Equipment Reserve Fund	Water Reserve Fund	
Transfers out:				
Governmental activities				
Road Fund	\$ 50,000	\$ 25,000	\$ -	\$ 75,000
Business-type activities				
Water Fund	50,000	25,000	85,000	160,000
Sewer Fund	-	-	-	-
Equipment Reserve	20,000	-	-	20,000
Total	<u>\$ 120,000</u>	<u>\$ 50,000</u>	<u>\$ 85,000</u>	<u>\$ 255,000</u>

The primary purpose of interfund transfers in was to fund current personnel costs and future equipment needs of the City.

E. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Road Fund	Total Governmental Funds
Fund balance:			
Restricted for:			
Road improvement	\$ -	\$ 28,566	\$ 28,566
Committed to:			
Road improvement	-	70,042	70,042
Unassigned	341,953	-	341,953
Total fund balances	<u>\$ 341,953</u>	<u>\$ 98,608</u>	<u>\$ 440,561</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plan

The City has adopted a Simplified Employee Pension - Individual Retirement Account (SEP-IRA) for the benefit of its employees. Under a SEP-IRA, the City may make contributions directly to its employees' individual retirement accounts. As an IRA, the employee is always fully vested in the account. Eligible employees are those that have reached age 21, worked for the employer in at least three of the immediately preceding five years, and received at least \$500 in compensation. For the year ended June 30, 2019, the total amount contributed to the retirement plan was \$26,400.

C. New Pronouncements

For the fiscal year ended June 30, 2019, the City implemented the following new accounting standard:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* - This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The City will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 84, *Fiduciary Activities* - This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases* - This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after December 15, 2019.

D. Subsequent Events

Management has evaluated subsequent events through December 5, 2019, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF SCIO
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Cash Basis	Modified Cash Basis	
REVENUES					
Property taxes	\$ 240,000	\$ 19,923	\$ 259,923	\$ -	\$ 259,923
Alcohol and cigarette taxes	17,400	300	17,700	-	17,700
Franchise fees	21,000	(1,184)	19,816	-	19,816
Intergovernmental	10,000	(1,179)	8,821	-	8,821
Library	13,000	(7,193)	5,807	-	5,807
Fees and charges	-	10,909	10,909	-	10,909
Fines and forfeitures	1,000	(391)	609	-	609
Grants and contributions	14,731	(10,731)	4,000	-	4,000
Miscellaneous	1,000	1,974	2,974	-	2,974
Total revenues	<u>318,131</u>	<u>12,428</u>	<u>330,559</u>	<u>-</u>	<u>330,559</u>
EXPENDITURES					
Current					
Personnel services	102,947	(5,022)	97,925	(7,044)	104,969
Materials and services	170,396	(10,481)	159,915	-	159,915
Capital outlay	177,800	(78,224)	99,576	-	99,576
Contingency	75,000	(75,000)	-	-	-
Total expenditures	<u>526,143</u>	<u>(168,727)</u>	<u>357,416</u>	<u>(7,044)</u>	<u>364,460</u>
Excess (deficiency) of revenues over (under) expenditures	(208,012)	181,155	(26,857)	7,044	(33,901)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>100,000</u>	<u>20,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net change in fund balance	(108,012)	201,155	93,143	7,044	86,099
Fund balance - beginning	<u>108,012</u>	<u>140,798</u>	<u>248,810</u>	<u>7,044</u>	<u>255,854</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 341,953</u>	<u>\$ 341,953</u>	<u>\$ 14,088</u>	<u>\$ 341,953</u>

CITY OF SCIO
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

ROAD FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
State highway tax	\$ 53,000	\$ 13,434	\$ 66,434
Grants	20,000	(184)	19,816
Franchise fees	50,000	(50,000)	-
Miscellaneous	-	299	299
	123,000	(36,451)	86,549
EXPENDITURES			
Current			
Personnel services	30,101	(559)	29,542
Materials and services	14,095	(6,269)	7,826
Capital outlay	65,500	(65,000)	500
Contingency	35,000	(35,000)	-
	144,696	(106,828)	37,868
Excess (deficiency) of revenues over (under) expenditures	(21,696)	70,377	48,681
OTHER FINANCING SOURCES (USES)			
Transfers out	(75,000)	-	(75,000)
Net change in fund balance	(96,696)	70,377	(26,319)
Fund balance - beginning	96,696	28,231	124,927
Fund balance - ending	\$ -	\$ 98,608	\$ 98,608

**INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF SCIO
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

WATER FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
Charges for services	\$ 273,640	\$ 4,523	\$ 278,163	\$ -	\$ 278,163
System development charges	7,000	7,000	14,000	-	14,000
Investment earnings	5,000	2,498	7,498	-	7,498
Miscellaneous	500	(43)	457	-	457
Total revenues	<u>286,140</u>	<u>13,978</u>	<u>300,118</u>	<u>-</u>	<u>300,118</u>
EXPENSES					
Current					
Personnel services	125,455	(8,981)	116,474	-	116,474
Materials and services	73,270	(18,442)	54,828	-	54,828
Debt service	50,500	(168)	50,332	(44,318)	6,014
Capital outlay	11,000	(10,275)	725	-	725
Depreciation	-	-	-	61,181	61,181
Contingency	80,000	(80,000)	-	-	-
Total expenses	<u>340,225</u>	<u>(117,866)</u>	<u>222,359</u>	<u>16,863</u>	<u>239,222</u>
Excess (deficiency) of revenues over (under) expenses	<u>(54,085)</u>	<u>131,844</u>	<u>77,759</u>	<u>(16,863)</u>	<u>60,896</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(160,000)</u>	<u>-</u>	<u>(160,000)</u>	<u>-</u>	<u>(160,000)</u>
Change in net position	(214,085)	131,844	(82,241)	(16,863)	(99,104)
Net position - beginning	<u>214,085</u>	<u>64,368</u>	<u>278,453</u>	<u>743,804</u>	<u>1,022,257</u>
Net position - ending	<u>\$ -</u>	<u>\$ 196,212</u>	<u>\$ 196,212</u>	<u>\$ 726,941</u>	<u>\$ 923,153</u>

CITY OF SCIO
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

SEWER FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ 186,000	\$ 186,000	\$ 6,412	\$ 192,412	\$ -	\$ 192,412
System development charges	5,000	5,000	5,000	10,000	-	10,000
Total revenues	<u>191,000</u>	<u>191,000</u>	<u>11,412</u>	<u>202,412</u>	<u>-</u>	<u>202,412</u>
EXPENSES						
Current						
Personnel services	125,455	125,455	(5,981)	119,474	-	119,474
Materials and services	71,420	71,420	(4,843)	66,578	69,997	136,574
Capital outlay	76,000	90,000	(5,362)	84,638	(83,847)	791
Depreciation	-	-	-	-	20,132	20,132
Contingency	<u>20,629</u>	<u>6,629</u>	<u>(6,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>293,504</u>	<u>293,504</u>	<u>(22,815)</u>	<u>270,689</u>	<u>6,282</u>	<u>276,971</u>
Excess (deficiency) of revenues over (under) expenses	(102,504)	(102,504)	34,227	(68,277)	(6,282)	(74,559)
Net position - beginning	<u>102,504</u>	<u>102,504</u>	<u>6</u>	<u>102,510</u>	<u>125,136</u>	<u>227,646</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,233</u>	<u>\$ 34,233</u>	<u>\$ 118,854</u>	<u>\$ 153,087</u>

CITY OF SCIO
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjusted Cash Basis	
REVENUES					
Investment earnings	\$ 50	\$ 1,375	\$ 1,425	\$ -	\$ 1,425
EXPENSES					
Capital outlay	93,500	(93,500)	-	-	-
Excess (deficiency) of revenues over (under) expenses	(93,450)	94,875	1,425	-	1,425
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	-	50,000	-	50,000
Transfers out	-	(20,000)	(20,000)	-	(20,000)
Total other financing sources and uses	50,000	(20,000)	30,000	-	30,000
Change in net position	(43,450)	74,875	31,425	-	31,425
Net position - beginning	93,386	(10,297)	83,089	-	83,089
Net position - ending	<u>\$ 49,936</u>	<u>\$ 64,578</u>	<u>\$ 114,514</u>	<u>\$ -</u>	<u>\$ 114,514</u>

CITY OF SCIO
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER RESERVE FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Investment earnings	\$ -	\$ 2,766	\$ 2,766	\$ -	\$ 2,766
EXPENSES	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	-	2,766	2,766	-	2,766
OTHER FINANCING SOURCES (USES)					
Transfers in	85,000	-	85,000	-	85,000
Change in net position	85,000	2,766	87,766	-	87,766
Net position - beginning	190,333	4,724	195,057	-	195,057
Net position - ending	<u>\$ 275,333</u>	<u>\$ 7,490</u>	<u>\$ 282,823</u>	<u>\$ -</u>	<u>\$ 282,823</u>

CITY OF SCIO
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

SEWER RESERVE FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjusted Cash Basis	
REVENUES					
Investment earnings	\$ -	\$ 863	\$ 863	\$ -	\$ 863
EXPENSES	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	-	863	863	-	863
Net position - beginning	<u>86,200</u>	<u>5,574</u>	<u>91,774</u>	<u>-</u>	<u>91,774</u>
Net position - ending	<u>\$ 86,200</u>	<u>\$ 6,437</u>	<u>\$ 92,637</u>	<u>\$ -</u>	<u>\$ 92,637</u>

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Chadd Weaver, Mayor
and Members of the City Council
City of Scio
Scio, Oregon 97374

We have audited the basic financial statements of the City of Scio as of and for the year ended June 30, 2019, and have issued our report thereon dated December 5, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Scio'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 162-010-0000 through 162-010-0320 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 statement 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)

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, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

A. Public Contracting Violation

The City was not in compliance with ORS Chapters 279A, 279B, and 279C as they relate to public contracts and purchasing.

B. Oregon Budget Law Violation

The City expended funds in excess of appropriations in one fund, which is in violation of ORS 294.150, as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Equipment Reserve Fund	Transfers out	\$ -	\$ 20,000	\$ 20,000

C. Budget Change Resolutions Violation

The City was not in compliance with ORS 294.463 as it relates to budget change resolutions.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City of Scio’s internal control over financial reporting as a basis for designing our auditing procedures 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 of Scio’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Scio’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated December 5, 2019.

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



Accuity, LLC

December 5, 2019