

CITY OF PHOENIX, OREGON

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

WITH

INDEPENDENT AUDITOR'S REPORTS



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

CITY OF PHOENIX, OREGON

Year Ended June 30, 2021

ELECTED OFFICIALS OF THE CITY OF PHOENIX, OREGON

Terry Baker 612 N.Church Phoenix, Oregon 97535	Mayor
Al Muelhoefer 103 Walnut Place Phoenix, OR 97535	Councilor President
Jim Snyder 809 Amerman Dr. Phoenix, OR 97535	Councilor
Krista Peterson 1620 Pacific La Phoenix, OR 97535	Councilor
Karen Shrader 207 Jared Ct Phoenix, OR 97535	Councilor
Angie Vermillion 248 Samuel Lane Loop Rd. Phoenix, OR 97535	Councilor
Ketzal McCready [REDACTED] Phoenix, OR 97535	Councilor

ADMINISTRATION

Eric Swanson 112 W. 2nd Street P.O. Box 330 Phoenix, Oregon 97535	City Manager (4/17/2020 to current)
Shannon Bell 112 W. 2 nd Street P.O. Box 330 Phoenix, Oregon 97535	Contractor (7/15/2020 to 6/30/2022)

CITY OF PHOENIX, OREGON
Year Ended June 30, 2021
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Phoenix
Phoenix, OR 97535

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Phoenix, Oregon (the City) as of and for the year ended June 30, 2021, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 entity'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 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 appropriate 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general and major special revenue budgetary comparison information, certain pension schedules, and certain other post-employment benefit (OPEB) schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis, the pension schedules, and the OPEB schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis, the pension schedules, and the OPEB schedules because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund and major special revenue fund budgetary comparison schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund and major special revenue fund budgetary comparison information noted under the required supplementary information in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not required as part of the basic financial statements.

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

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulations, we have also issued our report dated January 30, 2023, on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

Jeny L. Grupe, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 30, 2023

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Phoenix, Oregon (the City) for the fiscal year ended June 30, 2021. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the **government-wide statements**, the City's assets and deferred outflows totaled \$22 million at June 30, 2021, consisting of \$15.75 million in capital assets (net), \$4.64 million in cash and investments, \$590 thousand in receivables, \$118 thousand in other assets, and \$909 thousand in deferred outflows. The City's assets and deferred outflows increased by \$1.37 million, or 6.7 percent from the prior year.
- In the **government-wide statements**, the City's liabilities and deferred inflows totaled \$8.73 million at June 30, 2021, consisting of \$5.54 million in long-term debt, \$2.3 million in net pension liability, t \$563 thousand in accounts payable and other current liabilities, and \$326 thousand in deferred inflows. The City's liabilities and deferred inflows increased by \$373 thousand or 4.5 percent from the prior year.
- In the **government-wide statements**, the City's net position (assets/deferred outflows minus liabilities/deferred inflows) totaled \$13.28 million at June 30, 2021, of which \$10.2 million was net investment in capital assets, \$715 thousand was considered restricted, and \$2.35 million was considered unrestricted. In the prior year, net position totaled \$12.28 million of which \$8.97 million was net investment in capital assets, \$511 thousand was considered restricted, and \$2.8 million was considered unrestricted.
- The City's net position increased approximately \$1 million during the fiscal year ended June 30, 2021, an increase of about 8.15 percent. This increase is related to increased revenues in both the governmental activities and the business type activities.
- In the **government-wide statements**, the City generated program revenues of \$1.65 million which is primarily charges for services. General revenues which include taxes, licenses and permits, intergovernmental, franchise fees, fines and forfeitures and earnings on investments totaled \$4.09 million for governmental activities. The Government-Wide expenses were approximately \$3.95 million for governmental activities and \$1.4 million for business type activities. Total Government Wide expenses were \$5.38 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Basic Financial Statements present financial information about the City as a whole and about its activities. Following the Basic Financial Statements is the Required and Other Supplementary Information which provides budgetary comparisons for the governmental and proprietary funds, and other combining fund schedules. Finally, completing the document is a series of other financial schedules, and reports by the independent certified public accountants, as required by statute.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

1. Government-wide Financial Statements

The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e., from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position includes all assets and deferred outflows of the City (including infrastructure) as well as all liabilities and deferred inflows (including long-term debt). Net position is the difference between assets/deferred outflows and liabilities/deferred inflows, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position may be an indicator of whether its financial health is improving or deteriorating.

The statement of activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the statement of activities is to present the major program costs, matching major resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The government-wide financial statements distinguish programs/functions of the City that are governmental (principally supported by taxes and intergovernmental revenues) to those that are business-type (intended to recover all or a significant portion of their costs through user fees and charges).

Governmental activities of the City are categorized as follows:

- Executive – includes the City Manager function and administration oversight.
- Administrative – includes centralized services such as information technology, administration and financial services and other general functions not separately identified as a program.
- Public Safety – includes police department.
- Parks department – includes maintenance of the City's parks and playgrounds.
- Planning department – includes the City's community development and building inspection functions.
- Highways and streets – includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.
- Non-departmental – includes those activities that are not specifically included in another department.
- Business-type activities include the following:
 - Water – includes all costs for maintenance, operations, and construction of the City's water delivery system.

2. Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The fund financial statements include statements for governmental funds and proprietary funds. Funds are used to segregate resources for specific activities or objectives.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

Governmental Funds. The governmental fund statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund balance reported in the governmental funds balance sheet to the net position reported on the government-wide statement of net position, and a reconciliation of the change in fund balances reported in the governmental funds statement of revenues, expenditures and changes in fund balances to the change in net position reported in the government-wide statement of activities are provided to facilitate a comparison between governmental funds and governmental activities.

The City has nine governmental funds. The governmental fund statements present the six major funds separately; General Fund, Street Fund, Street SDC Fund, Debt Service Fund, Phoenix Urban Renewal Agency Debt Service Fund, and the Phoenix Urban Renewal Fund. The other nonmajor funds (Tourist Usage and Parks and Recreation SDC) are combined and presented in a single column as other governmental funds.

Proprietary Funds. Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. The City has four enterprise funds to account for its water operations. The Water Fund is the major enterprise fund. The Water SDC Fund, Water Capital Reserve Fund, and Stormwater SDC Fund are budgeted separately, but are considered part of the Water Fund and are combined with that fund in the proprietary fund financial statements.

3. Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets/deferred outflows and liabilities/deferred inflows are included in the notes which should be read in conjunction with the basic financial statements.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets/deferred outflows exceeded liabilities/deferred inflows by \$13.28 million at June 30, 2021. Net position for governmental activities totaled \$9.64 million while net position for business-type activities totaled \$3.64 million.

	June 30, 2021		June 30, 2020	
	Governmental Activities	Business- type Activities	Governmental Activities	Business- type Activities
Capital assets, net	\$ 12,147,893	\$ 3,600,517	\$ 11,385,043	\$ 3,402,126
Other assets	3,228,067	2,120,027	2,843,974	2,247,894
Total assets	<u>15,375,960</u>	<u>5,720,544</u>	<u>14,229,017</u>	<u>5,650,020</u>
Deferred outflows of resources	<u>742,857</u>	<u>166,288</u>	<u>573,917</u>	<u>178,122</u>
Total assets and deferred outflows of resources	<u>16,118,817</u>	<u>5,886,832</u>	<u>14,802,934</u>	<u>5,828,142</u>
Current liabilities	435,998	127,270	277,910	123,179
Net pension liability	1,877,832	420,351	1,327,406	411,975
Long-term debt, net	3,901,148	1,637,762	4,139,948	1,678,453
Total liabilities	<u>6,214,978</u>	<u>2,185,383</u>	<u>5,745,264</u>	<u>2,213,607</u>
Deferred inflows of resources	<u>266,589</u>	<u>59,676</u>	<u>300,973</u>	<u>93,411</u>
Total liabilities and deferred inflows of resources	<u>6,481,567</u>	<u>2,245,059</u>	<u>6,046,237</u>	<u>2,307,018</u>
Net Position:				
Invested in capital assets	8,246,745	1,962,755	7,245,095	1,723,673
Restricted	669,931	45,140	466,311	45,140
Unrestricted	720,574	1,633,878	1,045,291	1,752,311
Total net position	<u>\$ 9,637,250</u>	<u>\$ 3,641,773</u>	<u>\$ 8,756,697</u>	<u>\$ 3,521,124</u>

As mentioned earlier, net position may be an indicator of the City's financial position. At the end of the current year, the City has a positive net position balance. Net position increased by approximately \$1 million. The largest portion of the City's net position is its net investment in capital assets, 77.88%. Its restricted/unrestricted net position represent, 23.12% of total net position. In the prior year, 73% of the City's net position was net investments in capital assets, and 27% percent was restricted/unrestricted.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

Analysis of Changes in Net Position

The City's Statement of Activities for fiscal year ended June 30 follows:

	June 30, 2021		June 30, 2020	
	Governmental Activities	Business- type Activities	Governmental Activities	Business- type Activities
Revenues:				
Program Revenues:				
Charges for services	\$ 511,526	\$ 1,137,755	\$ 372,317	\$ 1,457,705
Operating grants	250,000	372,616	-	-
General Revenues:				
Property taxes	1,781,116	-	1,665,943	-
Other taxes	36,648	-	103,988	-
Licenses and permits	372,252	-	196,710	-
Intergovernmental	1,109,671	-	634,000	-
Franchise fees	358,915	-	406,219	-
Fines and forfeitures	49,389	-	110,941	-
Interest earnings	34,670	-	93,482	-
Gain/(loss) on disposal of assets	312,269	-	-	-
Miscellaneous	15,588	22,047	102,852	415
Total revenues	<u>4,832,044</u>	<u>1,532,418</u>	<u>3,686,452</u>	<u>1,458,120</u>
Expenses:				
Executive	255,112	-	247,705	-
Administrative	173,986	-	185,642	-
Planning	647,516	-	283,740	-
Parks Department	147,366	-	132,269	-
Police	1,539,910	-	1,551,190	-
Highway and street	421,604	-	427,151	-
Non-Departmental	627,181	-	384,294	-
Interest Expense	138,816	-	147,810	-
Water	-	1,431,632	-	1,353,092
Total expenses	<u>3,951,491</u>	<u>1,431,632</u>	<u>3,359,801</u>	<u>1,353,092</u>
Special item - SDWRFL loan forgiveness	-	19,863	-	-
Change in net position	<u>880,553</u>	<u>120,649</u>	<u>326,651</u>	<u>105,028</u>
Beginning net position	<u>8,756,697</u>	<u>3,521,124</u>	<u>8,430,046</u>	<u>3,416,096</u>
Ending net position	<u>\$ 9,637,250</u>	<u>\$ 3,641,773</u>	<u>\$ 8,756,697</u>	<u>\$ 3,521,124</u>

Governmental Activities

Governmental activities increased the City's net position by approximately \$881 thousand. Revenues totaled approximately \$4.8 million, and consisted primarily of property taxes of approximately \$1.78 million, intergovernmental of approximately \$1.1 million, charges for services of approximately \$511 thousand, and franchise fees of approximately \$359 thousand.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

Business-Type Activities

Business-type activities increased the City's net position by approximately \$121 thousand. Business-type revenues totaled \$1.5 million and consisted primarily of charges for services. Charges for services, which totaled approximately \$1.14 million, are comprised of water and SDC fees (primarily water charges). Business-type activities are self-supporting where revenues are expected to cover expenses.

FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Major governmental funds reported by the City include the General Fund, the Street Fund, Street SDC Fund, Debt Service Fund, Phoenix Urban Renewal Agency Debt Service Fund and Phoenix Urban Renewal Fund.

At the end of the current year, the City's governmental funds had combined ending fund balances of \$2.8 million, an increase of approximately \$271 thousand.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$1.52 million, an increase of \$46 thousand from the previous year. Unassigned fund balance represents 40% total General Fund expenditures, which may be a useful measure of the General Fund's liquidity.

Fund balances decreased by \$25 thousand in the Street Fund, increased by \$3 thousand in the Street SDC Fund, increased by \$71 thousand in the Phoenix Urban Renewal Fund, increased by \$130 thousand in the Phoenix Urban Renewal Agency Debt Service Fund, and increased by \$9 thousand in Other Governmental Funds.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At June 30, 2021, unrestricted net position of the proprietary funds was \$1.63 million, a decrease of approximately \$118 thousand from the prior year. Net investment in capital assets was \$1.9 million and the restricted net position balance was \$45 thousand. The Water Fund reported a decrease in net position for the current fiscal year of approximately \$121 thousand.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

CAPITAL ASSETS

As of June 30, 2021, the City had invested \$15.75 million in capital assets, net of depreciation as reflected in the following table:

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,740,961	\$ 21,731	\$ 1,762,692
Construction in Progress	43,500	-	43,500
Buildings & Improvements	5,593,776	621,245	6,215,021
Machinery & Equipment	317,071	21,852	338,923
Infrastructure	4,452,585	2,935,689	7,388,274
	<u>\$ 12,147,893</u>	<u>\$ 3,600,517</u>	<u>\$ 15,748,410</u>

DEBT ADMINISTRATION

As of year-end, the City had \$5.53 million in long-term debt outstanding compared to \$5.82 million in the previous year.

	Outstanding July 1, 2019	Issued	Matured and Redeemed	Outstanding June 30, 2020	Due within One Year
Governmental Funds					
208 Main Street Loan Payable (direct borrowing)	2,950	-	(2,950)	-	-
FFC Bonds, Series 2015B (direct borrowing)	2,515,000	-	(25,000)	2,490,000	135,000
FFC Bonds, Series 2015C (direct borrowing)	110,000	-	(110,000)	-	-
FFC Bonds, Series 2017 (direct borrowing)	1,344,307	-	(90,704)	1,253,603	93,344
	<u>3,972,257</u>	<u>-</u>	<u>(228,654)</u>	<u>3,743,603</u>	<u>228,344</u>
Unamortized Premium/(Discount)	167,691	-	(10,146)	157,545	11,253
Total Governmental Funds	<u>4,139,948</u>	<u>-</u>	<u>(238,800)</u>	<u>3,901,148</u>	<u>239,597</u>
Business Type Activities					
Advanced Refunding Bonds -					
Series 2015 (direct placement)	1,505,000	-	(65,000)	1,440,000	70,000
Lost Creek Water Storage (direct borrowing)	104,288	-	(7,248)	97,040	7,248
Business Oregon Bridget Loan (direct borrowing)	-	35,626	-	35,626	-
SDWRLF Loan (direct borrowing)	-	19,863	(19,863)	-	-
	<u>1,609,288</u>	<u>55,489</u>	<u>(92,111)</u>	<u>1,572,666</u>	<u>77,248</u>
Unamortized Premium/(Discount)	69,165	-	(4,069)	65,096	4,069
Total Business Type Activities	<u>1,678,453</u>	<u>55,489</u>	<u>(96,180)</u>	<u>1,637,762</u>	<u>81,553</u>
Total Long-Term Debt	<u>\$ 5,818,401</u>	<u>\$ 55,489</u>	<u>\$ (334,980)</u>	<u>\$ 5,538,910</u>	<u>\$ 321,150</u>

Debt Limitation and Ratings

Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3 percent of the real market value of all taxable property within the City. Based on the fiscal year 2021 value, the City is within its debt limitation.

Please refer to the notes to the basic financial statements for further detailed information.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021**

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

The City is approximately 10 months into its recovery after the September 8, 2020, Almeda Fire. The fire started on the north side of Ashland and spread along the Bear Creek greenway through the cities of Talent and Phoenix along with urbanized portions of unincorporated Jackson County, destroying more than 2,800 structures, including nearly 600 residential units and commercial buildings in Phoenix. The fire caused the displacement of thousands of people throughout the burn area. The loss of population due to fire displacement is reflected in the certified population estimate of 4,096 for Phoenix as of July 1, 2021, which is a 9% decrease from the certified population estimate of 4,476 from July 1, 2020. However, 152 or 27% of the 553 residential units lost in Phoenix have been permitted for rebuild to date, and the City anticipates the continuation of rapid replacement into the next year.

The City has secured funding from the State of Oregon through the Municipal Wildfire Assistance Program (MWAP) to provide additional Planning and Building staff capacity needed for fire recovery activities. These funds have been used since the fire to hire new staff in the Community Development Department along with contracting for other fire recovery related activities. Additional MWAP funds have been made available to Phoenix through the upcoming State biennium (2021-2023) to support these activities through the next two years.

Historically, Phoenix has been a small-town, bedroom community to Medford, the largest city in Jackson County. Due to its demographics and its geographic location in relation to Medford, Talent, and Ashland, a high percentage of the City's population commutes for employment. The City has for years lacked a significant inventory of buildable land and therefore has had minimal growth and development, as evidenced by its very modest growth in population over the years. But the City is currently working on amending its urban growth boundary to bring in new land for development. This additional land is in two areas known as PH-3 and PH-5 and will provide opportunities for new residential, educational, industrial and commercial developments.

Like portions of the existing city limits, much of PH-3 was heavily impacted by the Almeda Fire. The loss of the previous development within the city and PH-3 has attracted new interest in developing or redeveloping within these areas. There are several commercial and high-density residential developments in the planning process that, if developed, will bring significant new population, business and tax revenue into Phoenix.

PH-5, also known as the South Valley Employment Center, is planned primarily to accommodate development related to traded sector employment, but it will also provide some new land for residential development along with commercial and institutional development accessory to the employment center vision. This employment center is designed to attract large-scale, regional development, which could significantly change Phoenix's position as a bedroom community.

The fire station in Phoenix, operated by Jackson County Fire District No. 5, was partially destroyed in the Almeda Fire. The destroyed portion of the fire station was one of four buildings located together to house fire, police, and city government personnel. All of these buildings were in need of replacement prior to the fire, and with the loss of a portion of the fire station, the City has been able to secure a total of \$16,538,000 in State funding and FEMA Public Assistance Funds to replace the complex of buildings with a new combined Government and Public Safety Center. This project is expected to be completed by early 2024.

REQUEST FOR INFORMATION

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall P.O. Box 330, 112 West 2nd Street, Phoenix, Oregon 97535. The City's telephone number is 541-535-1955.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF PHOENIX
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Cash and investments	\$ 2,776,295	\$ 1,817,462	\$ 4,593,757
Restricted cash and investments	-	45,140	45,140
Accounts receivable	239,190	254,495	493,685
Property tax receivable	96,652	-	96,652
Prepaid expenses	102,847	-	102,847
OPEB asset	13,083	2,930	16,013
Capital assets, net:			
Land	1,740,961	21,731	1,762,692
Construction in progress	43,500	-	43,500
Buildings and improvements	5,593,776	621,245	6,215,021
Machinery and equipment	317,071	21,852	338,923
Infrastructure	4,452,585	2,935,689	7,388,274
TOTAL ASSETS	15,375,960	5,720,544	21,096,504
Deferred outflows of resources:			
Deferred amounts related to other post employment benefits (OPEB)	4,421	990	5,411
Deferred amounts related to pensions	738,436	165,298	903,734
TOTAL DEFERRED OUTFLOW OF RESOURCES	742,857	166,288	909,145
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	16,118,817	5,886,832	22,005,649
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Accounts payable	313,187	98,870	412,057
Customer deposits	8,726	6,335	15,061
Accrued interest payable	48,918	10,443	59,361
Accrued compensated absences	65,167	11,622	76,789
Net pension liability	1,877,832	420,351	2,298,183
Long-term debt, net of unamortized premium/discount:			
Due within one year	239,597	81,553	321,150
Due in more than one year	3,661,551	1,556,209	5,217,760
TOTAL LIABILITIES	6,214,978	2,185,383	8,400,361
Deferred inflows of resources:			
Deferred amounts related to other post employment benefits (OPEB)	2,212	496	2,708
Deferred amounts related to pensions	264,377	59,180	323,557
TOTAL DEFERRED INFLOWS OF RESOURCES	266,589	59,676	326,265
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,481,567	2,245,059	8,726,626
NET POSITION:			
Net investment in capital assets	8,246,745	1,962,755	10,209,500
Restricted	669,931	45,140	715,071
Unrestricted	720,574	1,633,878	2,354,452
TOTAL NET POSITION	\$ 9,637,250	\$ 3,641,773	\$ 13,279,023

**CITY OF PHOENIX
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government						
Executive	\$ 255,112	\$ -	\$ -	\$ (255,112)	\$ -	\$ (255,112)
Administrative	173,986	241,912	-	67,926	-	67,926
Planning	647,516	-	250,000	(397,516)	-	(397,516)
Parks	147,366	44,625	-	(102,741)	-	(102,741)
Public Safety	1,539,910	-	-	(1,539,910)	-	(1,539,910)
Highway and street	421,604	224,989	-	(196,615)	-	(196,615)
Non-departmental	627,181	-	-	(627,181)	-	(627,181)
Interest expense	138,816	-	-	(138,816)	-	(138,816)
Total government activities	<u>3,951,491</u>	<u>511,526</u>	<u>250,000</u>	<u>(3,189,965)</u>	<u>-</u>	<u>(3,189,965)</u>
Business-type activities:						
Water	<u>1,431,632</u>	<u>1,137,755</u>	<u>372,616</u>	<u>-</u>	<u>78,739</u>	<u>78,739</u>
Total Common City	<u>\$ 5,383,123</u>	<u>\$ 1,649,281</u>	<u>\$ 622,616</u>	<u>(3,189,965)</u>	<u>78,739</u>	<u>(3,111,226)</u>
General revenues:						
Property taxes				1,781,116	-	1,781,116
Other taxes				36,648	-	36,648
Licenses and permits				372,252	-	372,252
Intergovernmental				1,109,671	-	1,109,671
Franchise fees				358,915	-	358,915
Fines and forfeitures				49,389	-	49,389
Interest earnings				34,670	-	34,670
Gain/(loss) on disposal of assets				312,269	-	312,269
Miscellaneous				15,588	22,047	37,635
Total general revenues				<u>4,070,518</u>	<u>22,047</u>	<u>4,092,565</u>
Special item - SDWRFL loan forgiveness				<u>-</u>	<u>19,863</u>	<u>19,863</u>
CHANGE IN NET POSITION				<u>880,553</u>	<u>120,649</u>	<u>1,001,202</u>
BEGINNING NET POSITION - JULY 1, 2020				<u>8,756,697</u>	<u>3,521,124</u>	<u>12,277,821</u>
ENDING NET POSITION - JUNE 30, 2021				<u>\$ 9,637,250</u>	<u>\$ 3,641,773</u>	<u>\$ 13,279,023</u>

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FUND FINANCIAL STATEMENTS

**CITY OF PHOENIX
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Street Fund</u>
ASSETS:		
Cash and investments	\$ 1,696,593	\$ 714,324
Accounts receivable	162,765	76,425
Property tax receivable	65,695	-
Interfund receivable	282,843	-
Prepaid expenses	37,751	-
	<u>37,751</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,245,647</u>	<u>\$ 790,749</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:		
Liabilities:		
Accounts payable	\$ 281,338	\$ 31,849
Interfund payable	-	-
Customer deposits	8,726	-
	<u>8,726</u>	<u>-</u>
TOTAL LIABILITIES	<u>290,064</u>	<u>31,849</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	37,845	-
	<u>37,845</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>37,845</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFOWLS OR RESOURCES	<u>327,909</u>	<u>31,849</u>
Fund Balances:		
Restricted:		
Marijuana tax	321,257	-
Park and recreation SDC's	-	-
Urban renewal	-	-
Committed:		
Traffic court equipment	17,539	-
Jackson County fine share	21,022	-
Debt service	-	-
Tourist usage	-	-
Assigned:		
Reserve officer program	1,829	-
Streets	-	758,900
Nonspendable	37,751	-
Unassigned	1,518,340	-
	<u>1,518,340</u>	<u>-</u>
TOTAL FUND BALANCES	<u>1,917,738</u>	<u>758,900</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,245,647</u>	<u>\$ 790,749</u>

Street SDC Fund	Debt Service Fund	Phoenix Urban Renewal Agency		Nonmajor Governmental Funds	Total
		Urban Renewal Fund	Debt Service Fund		
\$ -	\$ -	\$ 181,669	\$ 168,550	\$ 15,159	\$ 2,776,295
-	-	-	-	-	239,190
-	-	-	30,957	-	96,652
-	-	-	-	-	282,843
-	65,096	-	-	-	102,847
<u>\$ -</u>	<u>\$ 65,096</u>	<u>\$ 181,669</u>	<u>\$ 199,507</u>	<u>\$ 15,159</u>	<u>\$ 3,497,827</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313,187
195,300	64,998	22,545	-	-	282,843
-	-	-	-	-	8,726
<u>195,300</u>	<u>64,998</u>	<u>22,545</u>	<u>-</u>	<u>-</u>	<u>604,756</u>
-	-	-	17,621	-	55,466
-	-	-	17,621	-	55,466
<u>195,300</u>	<u>64,998</u>	<u>22,545</u>	<u>17,621</u>	<u>-</u>	<u>660,222</u>
-	-	-	-	-	321,257
-	-	-	-	7,664	7,664
-	-	159,124	181,886	-	341,010
-	-	-	-	-	17,539
-	-	-	-	-	21,022
-	98	-	-	-	98
-	-	-	-	7,495	7,495
-	-	-	-	-	1,829
-	-	-	-	-	758,900
-	-	-	-	-	37,751
<u>(195,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,323,040</u>
<u>(195,300)</u>	<u>98</u>	<u>159,124</u>	<u>181,886</u>	<u>15,159</u>	<u>2,837,605</u>
<u>\$ -</u>	<u>\$ 65,096</u>	<u>\$ 181,669</u>	<u>\$ 199,507</u>	<u>\$ 15,159</u>	<u>\$ 3,497,827</u>

See accompanying notes to basic financial statements

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**CITY OF PHOENIX
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2021**

TOTAL FUND BALANCES		\$ 2,837,605
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 14,402,593	
Accumulated depreciation	<u>(2,254,700)</u>	12,147,893
Deferred outflows/inflows of resources related to pensions and other postemployment benefits (OPEB) - net		476,268
The other post employment benefit asset (OPEB) is not reported with the governmental funds as it is not available nor payable currently.		13,083
A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		55,466
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due.		
These liabilities consist of:		
Compensated absences payable		(65,167)
Net pension liability		(1,877,832)
Accrued interest payable		(48,918)
Long-term debt, net of unamortized premium/discount		<u>(3,901,148)</u>
TOTAL NET POSITION		<u><u>\$ 9,637,250</u></u>

**CITY OF PHOENIX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	General Fund	Street Fund	Street SDC Fund
REVENUES:			
Taxes	\$ 1,247,509	\$ -	\$ -
Charges for services	184,710	225,539	2,690
Licenses and permits	369,012	-	-
Earnings on investments	24,297	7,310	-
Intergovernmental	389,906	729,358	-
Grants	42,816	-	-
Franchise fees	267,965	16,422	-
Court	72,358	-	-
Fines and forfeitures	52,094	-	-
Special payments	60,827	-	-
Miscellaneous	252,065	3	-
TOTAL REVENUES	2,963,559	978,632	2,690
EXPENDITURES:			
Current:			
Executive	259,144	-	-
Administrative	178,137	-	-
Planning	601,824	-	-
Parks	133,444	-	-
Police	1,419,350	-	-
Highways and streets	-	382,118	-
Urban renewal agency	-	-	-
Non-departmental	60,827	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Contingency	-	15,237	-
Capital outlay	1,144,736	6,192	-
TOTAL EXPENDITURES	3,797,462	403,547	-
OTHER FINANCING SOURCES (USES):			
Transfers In	600,000	-	-
Transfers Out	-	(600,000)	-
Scheduled debt service transfers, series 2015	-	-	-
Insurance proceeds	317,334	-	-
TOTAL OTHER FINANCING SOURCES (USES)	917,334	(600,000)	-
NET CHANGE IN FUND BALANCE	83,431	(24,915)	2,690
FUND BALANCE - JULY 1, 2020	1,834,307	783,815	(197,990)
FUND BALANCE - JUNE 30, 2021	\$ 1,917,738	\$ 758,900	\$ (195,300)

See accompanying notes to basic financial statements

Debt Service Fund	Phoenix Urban Renewal Agency		Nonmajor Governmental Funds	Total
	Urban Renewal Fund	Debt Service Fund		
\$ -	\$ -	\$ 597,957	\$ 7,078	\$ 1,852,544
-	-	-	1,576	414,515
-	-	-	-	369,012
-	-	3,063	-	34,670
-	-	-	-	1,119,264
-	-	-	-	42,816
-	-	-	-	284,387
-	-	-	-	72,358
-	-	-	-	52,094
-	-	-	-	60,827
-	-	-	-	252,068
-	-	601,020	8,654	4,554,555
-	-	-	-	259,144
-	-	-	-	178,137
-	-	-	-	601,824
-	-	-	-	133,444
-	-	2,773	-	1,422,123
-	-	-	-	382,118
1,300	27,389	-	-	28,689
-	-	-	-	60,827
218,138	-	-	-	218,138
149,552	-	-	-	149,552
-	1,120	-	-	1,152,048
368,990	28,509	2,773	-	4,601,281
-	100,000	-	-	700,000
-	-	(100,000)	-	(700,000)
368,994	-	(367,694)	-	1,300
-	-	-	-	317,334
368,994	100,000	(467,694)	-	318,634
4	71,491	130,553	8,654	271,908
94	87,633	51,333	6,505	2,565,697
\$ 98	\$ 159,124	\$ 181,886	\$ 15,159	\$ 2,837,605

See accompanying notes to basic financial statements

**CITY OF PHOENIX
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCE \$ 271,908

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

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

Expenditures for capital assets	\$ 1,114,709	
Less current year depreciation	<u>(346,794)</u>	767,915

Government funds report proceeds from the sale of capital assets as revenue. However, only the net gain (loss) on sale is reported in the Statement of Activities.

Cost basis of assets sold	\$ (340,590)	
Accumulated depreciation	<u>335,525</u>	(5,065)

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.

(34,780)

Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.

(10,698)

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of the following difference:

Amortization of premium (discount)		10,146
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In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due. This is the amount by which the interest paid exceeded the interest expense.

Interest paid	\$ 142,010	
Less: interest expense	<u>(138,840)</u>	3,170

Government funds report pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension/OPEB expenses.

(350,697)

Principal repayments are an expenditure in the governmental fund presentation. In the Statement of Activities, these loan repayments are reclassified to the Statement of Net Assets as a reduction of debt.

Principal repayments		<u>228,654</u>
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CHANGE IN NET POSITION \$ 880,553

**CITY OF PHOENIX
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021**

	<u>Water Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current assets:	
Pooled cash and investments	\$ 1,817,462
Restricted cash and investments	45,140
Receivables, net	<u>254,495</u>
Total current assets	<u>2,117,097</u>
Noncurrent assets:	
RHIA asset	2,930
Capital assets, net:	
Land	21,731
Buildings and improvements, net	621,245
Machinery and equipment, net	21,852
Infrastructure, net	<u>2,935,689</u>
Total noncurrent assets	<u>3,603,447</u>
TOTAL ASSETS	<u>5,720,544</u>
Deferred outflows of resources:	
Deferred amounts related to other post employment benefits (OPEB)	990
Deferred amounts related to pensions	<u>165,298</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>166,288</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,886,832</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	
Current liabilities:	
Accounts payable	98,870
Accrued interest payable	10,443
Customer deposits	6,335
Compensated absences	11,622
Long-term debt, net (current portion)	<u>81,553</u>
Total current liabilities	<u>208,823</u>
Noncurrent liabilities:	
Net pension liability	420,351
Long-term debt, net	<u>1,556,209</u>
Total noncurrent liabilities	<u>1,976,560</u>
TOTAL LIABILITIES	<u>2,185,383</u>
Deferred inflows of resources:	
Deferred amounts related to other post employment benefits (OPEB)	496
Deferred amounts related to pensions	<u>59,180</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>59,676</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,245,059</u>
Net Position:	
Net investment in capital assets	1,962,755
Restricted- system development	45,140
Unrestricted	<u>1,633,878</u>
TOTAL NET POSITION	<u>\$ 3,641,773</u>

See accompanying notes to basic financial statements

**CITY OF PHOENIX
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021**

	<u>Water Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 1,137,755
Miscellaneous	<u>22,047</u>
TOTAL OPERATING REVENUES	<u>1,159,802</u>
OPERATING EXPENSES:	
Current:	
Personal services	350,383
Materials and services	875,066
Depreciation	<u>153,407</u>
TOTAL OPERATING EXPENSES	<u>1,378,856</u>
OPERATING INCOME (LOSS)	<u>(219,054)</u>
NONOPERATING REVENUES (EXPENSES):	
Grants	372,616
Interest expense	<u>(52,776)</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>319,840</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES	<u>100,786</u>
CAPITAL CONTRIBUTIONS	
Loan forgiveness	<u>19,863</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,863</u>
NET CHANGE IN NET POSITION	120,649
NET POSITION - JULY 1, 2020	<u>3,521,124</u>
NET POSITION - JUNE 30, 2021	<u><u>\$ 3,641,773</u></u>

**CITY OF PHOENIX
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021**

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,040,369
Payments to suppliers	(867,514)
Payments to employees	<u>(363,168)</u>
Net cash provided (used) by operating activities	<u>(190,313)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase and construction of capital assets	(351,798)
Bond interest paid, net of premium	(58,795)
Principal paid on capital debt	(72,248)
Proceeds from capital grants	372,616
Proceeds from issuance of debt	35,626
Proceeds from Safe Drinking Water Revolving Loan Fund	<u>19,863</u>
Net cash provided (used) by capital and related financing activities	<u>(54,736)</u>
Net increase (decrease) in cash and cash equivalents	(245,049)
Balances - Beginning of the year	<u>2,107,651</u>
Balances - End of the year	<u><u>\$ 1,862,602</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (219,054)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation expense	153,407
Change in assets and liabilities:	
Receivables, net	(119,433)
Pension and other post-employment benefit items (OPERS & RHIA)	(11,274)
Deposits	(4,605)
Compensated absences	3,094
Accounts and other payables	<u>7,552</u>
Net cash provided (used) by operating activities	<u><u>\$ (190,313)</u></u>

See accompanying notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Phoenix, Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the City's accounting policies are described below.

The Financial Reporting Entity

The City of Phoenix is a municipal corporation governed by a mayor and an elected council. The administration of day to day city affairs is the responsibility of the City Manager who is appointed by and serves under the supervision of the City Council. The City provides the following services as authorized by its charter: police, parks, building and planning, streets, urban renewal, and services. Sewer services are provided through a contract with an outside party.

Accounting principles generally accepted in the United States of America require that these financial statements present the City (the primary government) and all component units, if any. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The City does not have any discretely presented component units.

The accompanying financial statements present all activities and funds for which the City is considered financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

Blended Component Unit

The City has included the financial operations of its Urban Renewal Agency (the Agency) as a blended component unit in the basic financial statements. The Agency is a legally separate entity which is governed by a board comprised of the members of the City Council as stipulated by the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. The operational responsibility for the component unit rests with the management of the City. The City accounts for the Agency in two governmental funds, the Phoenix Urban Renewal Fund and the Phoenix Urban Renewal Debt Service fund.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all activities of the City. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties for services.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (continued)

The Statement of Activities presents the direct expenses of a given function/program or business-type activity and the related program revenues categorized into charges for services, operating grants and contributions and capital grants and contributions. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include 1) fees, fines and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, investment income and other items not included among program revenues are reported as general revenues.

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements have been satisfied. The effect of interfund activity within governmental activities or business-type activities such as transfers, advances and loans are eliminated.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary fund types.

Governmental Funds

Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies.

The governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance present increases and decreases in those current net fund balances. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e. where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the City) are determined to be met when the underlying expenditures are recorded. Eligibility requirements for intergovernmental revenues which are unrestricted as to purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements are considered to be met at the time of receipt or when susceptible to accrual.

Property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflow of resources (unavailable revenue). Property taxes, which are held at year end by the collecting agency, Jackson County, and are remitted to the City within the 60-day period, are reported as "Taxes Receivable."

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The following are the City's major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are property taxes, utility franchise fees, intergovernmental and other taxes. The Capital Reserve Fund and Police Station Reserve Fund have been combined with the General Fund as reserve funds do not meet the definition of a fund under generally accepted accounting principles.

Street Fund (Special Revenue Fund) – This fund accounts for services and debt principal and interest payments made related to street rehabilitation. Principal sources of revenues are intergovernmental revenues, grant awards, and charges for services.

Street SDC Fund (Special Revenue Fund) – This fund accounts for capital improvement projects which increase capacity for the city. Principal sources of revenue are charges for services.

Debt Service Fund (Debt Service Fund) – During the year ended June 30, 2016, the City established this fund to account for the bond issuances on behalf of the Phoenix Urban Renewal Agency (PURA) as stipulated in a September 2015 and 2017, Intergovernmental Agreement between the City and the Agency, a separate government of itself.

Phoenix Urban Renewal Fund (Capital Projects Fund) – This fund was formed primarily to carry out the terms of the Urban Renewal Plan, implement certain goals and objectives of the City of Phoenix Comprehensive Plan, and assist in meeting the City's economic development objectives.

Phoenix Urban Renewal Debt Service Fund (Debt Service Fund) – Includes tax revenue deposits and debt payments for long term and short-term borrowing, including intergovernmental agreements with the City and lines of credit for the Phoenix Urban Renewal Agency

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

The City's other non-major governmental funds consist of the Capital Reserve Fund, Police Station Reserve Fund, Tourist Usage Fund and Parks and Recreation System Development Charges Fund.

Proprietary Funds – Enterprise funds

Proprietary funds can be separated into enterprise funds and internal service funds. All of the City's proprietary funds are enterprise funds. These funds account for the acquisition, operation and maintenance of the City facilities and services which are entirely self-supporting through service charges of customers. Services accounted for through enterprise funds are sewer operations and public facilities improvements.

Funds included in this category are the Water Fund, Water System Development Charges Fund, Storm Water System Development Charges Fund, and the Capital Reserve fund.

The City's proprietary fund distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's internal service fund consist of charges for services and the cost of providing those services. All other revenues and expenses are reported as nonoperating.

The principal operating revenues are charges to customers. Operating expenses include cost of sales, debt service, capital outlay, administration expenses, and depreciation.

All proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The accrual basis of accounting is utilized by proprietary fund types where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports the following major enterprise fund:

Water Fund – This fund accounts for the maintenance, operation, and construction of the City's water intake, purification, and delivery systems, as well as the City's wastewater collection and treatment system. Principal sources of revenue are user fees, franchise fees, and systems development charges.

The City's other enterprise funds consist of the Water Systems Development Charges Fund, Storm Water Systems Development Charges Fund, and Capital Reserve Fund. These funds have been combined with the Water Fund as management views these funds as a collective enterprise fund for financial reporting purposes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of deferred outflows, which arise under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, these items, deferred outflows related to pensions and other post-employment benefits, are reported in the proprietary fund financial statements and in the government-wide financial statements.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows, deferred amounts related to pension and other post-employment benefits.

Deferred inflows related to pensions and other post-employment benefits arise under the full accrual basis of accounting that qualifies for reporting under this category. Accordingly, these items, are reported in the proprietary fund financial statements and in the government-wide financial statements.

In contrast, deferred inflows related to property taxes (unavailable revenue) arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pooled Cash and Investments

The City's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

The City's investments, authorized under state statute, consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It 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. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Earnings on pooled cash and investments are credited to each fund monthly based on the average daily balance of each participating fund.

Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

For purposes of the Statement of Cash Flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Deposits

The City requires refundable security deposits from property owners wishing to be annexed into the City and from utility customers. Upon service termination, the individual's respective deposit is applied to the amount owing with any remaining balance refunded to the customer.

Grants

Unreimbursed grant expenditures due from granter agencies are recorded in the basic financial statements as receivables and revenues. Cash received from granter agencies in excess of related grant expenditures is recorded as unearned revenue in the combined balance sheet.

Property Taxes Receivable

Property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred inflow of resources because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary because uncollectable property taxes become a lien of the property. Ad valorem property taxes are a lien on all taxable property as of July 1. Property taxes are levied and payable on November 15. Taxes are administered by the County. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. The remaining balance of taxes receivable is recorded as unavailable revenue because it is not deemed available to finance operations of the current period.

Prepays

Governmental fund expenditures for services/benefits extending over more than one accounting period are recorded as a current asset. In the government-wide financial statements these expenditures are also recorded as a current asset.

Operating Revenues and Expenses, Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for water services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating revenues and expenses are those revenues and expenses not directly related to the service provided by the fund. Non-operating revenues and expenses include interest, grants, SDC charges and gain or loss on disposition of capital assets.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets Including Equipment Leased Under Capital Lease

Capital assets, which includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life extending beyond a single reporting period, (one year). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets in the proprietary fund types are stated at cost, or the estimated fair market value at the date of receipt for gifts or projects constructed by others and accepted for ownership and maintenance by the City.

Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related Assets. Upon disposal of the assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in operations. Estimated useful lives used in computing depreciation are:

Buildings and Improvements	10 to 50 years
Machinery	3 to 25 years
Infrastructure	15 to 40 years

Long-term Debt and Debt Issuance Costs

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statement, the bond discounts, premiums and issuance costs are recognized when incurred and not deferred. The face amount of the debt issued and premiums received are reported as other financing sources while discounts are reported as other financing used. Bond issuance costs are recognized as expenses in the period incurred.

Vested Compensated Absences

Liabilities for vacation pay and compensated absences are recorded in the Statement of Net Position for proprietary funds when vested or earned by employees. Vacation pay and compensated absences are accrued as expenditures in the governmental funds when the amounts are expected to be liquidated with expendable available resources. Sick pay, is recognized in all funds when leave is taken.

Post-Employment Health Care Benefits

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (OPERS) – Retirement Health Insurance Account (RHIA). Contributions to OPERS RHIA are made on a current basis as required by the plan and are charged as expenses.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position and Fund Balances

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investments in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-spendable - Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by formal action.

Assigned - Includes items assigned for specific uses, authorized by the City Administrator and/or Finance Director.

Unassigned - This is the residual classification used for those balances not assigned to another category.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when expenditure is incurred for purposes for which both restricted and unrestricted net position is available. In addition, it is the City's policy to use committed and then assigned fund balance when an expenditure is incurred for purposes for which committed, assigned, and unrestricted fund balance classifications could be used.

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. In accordance with the policy, the City has determined that the minimum fund balance for the General Fund should be equal to four months of General Fund expenditures.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Adoption of New GASB Pronouncements

GASB Statement No. 84, *Fiduciary Activities*. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 was effective for the City for the fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61. Issued August 2018 to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 was effective for the City for the fiscal year ending June 30, 2021.

Future Adoption of GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2021:

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for fiscal year ending June 30, 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Issued June 2018, this statement establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the City for the fiscal year ending June 30, 2022.

GASB Statement No 91, *Conduit Debt Obligations*. Issued May 2019, this statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. GASB Statement No. 91 will be effective for the City for fiscal year ending June 30, 2023.

GASB Statement No 92, *Omnibus 2020*. Issued January 2020, this statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, post-employment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. GASB Statement No. 92 will be effective for the City for fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement's objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement will be effective for the City for fiscal year ending June 30, 2023.

The City will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 2 – Stewardship, Compliance, and Accountability

Budgetary information

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriation for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by department in the General Fund, and by function (personal services, materials and services, capital outlay, debt service, transfers to other funds and contingency) in other funds.

The City Council may, however, approve additional appropriations for unexpected additional resources or necessary expenditures which could not be reasonably estimated at the time the budget was adopted.

Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another. Such transfers must be authorized by official resolution or ordinance of the City Council. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

Transfers of contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Council. Budget amounts shown in the financial statements include the original budget, supplemental budgets, and budget transfers. All appropriations terminate on June 30th.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law). Budget amounts are as originally budgeted, or as amended by the City Council.

General Fund expenditures are appropriated by department. Expenditure budgets for all other funds are appropriated at the following levels: Personnel Services, Materials and Services, Capital Outlay Debt Service, Contingency and Transfers.

During the fiscal year ended June 30, 2021, the City was in compliance with Local Budget Law, except as follows:

When one local government must pass through revenue from taxes, fees or charges to another local government, the pass-through payments must be budgeted. The local government making the pass-through of revenue must include in its budget the amount estimated to be received during both years of the biennial budget period and appropriate the entire amount to be passed through during the budget period. (ORS 294.466)

The City did not budget for pass through-payments related to the construction excise tax in the general fund.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 2 – Stewardship, Compliance, and Accountability (continued)

Budgetary information (continued)

The General Fund had an overspend in the administrative category in the amount of \$7,074, the planning department category by \$228,728 and special payments category by \$60,827. The Phoenix Urban Renewal Debt Service fund had an overspend in the material and services category in the amount of \$1,473.

Deficit fund equity

- The Street SDC Fund had a deficit fund balance of \$(195,300) as of June 30, 2021.

Note 3 – Cash and Investments

The City maintains a cash management pool for its cash and investments in which each fund participates. Interest earnings are distributed based on average daily balances.

The City participates in the State of Oregon Local Investment Pool (LGIP or Pool) which is an open ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool.

These funds must be invested and managed, like that of a prudent investor, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The State of Oregon Local Government Investment Pool is not rated. Same day wire redemptions cannot exceed \$1.5 million and withdrawals in excess of \$25 million may require 48-hour notice.

The City's position in the pool at June 30, 2021 is stated at amortized cost which approximates fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance (currently limited to balances less than \$250,000), Oregon Revised Statue 295 requires a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. As of June 30, 2021, the City's deposits with various financial institutions did not exceed the federal depository insurance limitation.

Pooled Deposits and Investments

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015.

State of Oregon statutes restrict the types of investments in which the City may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 3 – Cash and Investments (continued)

The City has invested funds in the State Treasurer’s Oregon Short-term Fund Local Government Investment Pool during fiscal year 2020-2021. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants’ equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City’s cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City’s name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

As of June 30, 2021 and for the year then ended, the City was in compliance with the aforementioned State of Oregon statutes.

Credit Risk - State Statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker’s acceptances, certain commercial papers, and the State Treasurer’s Investment Pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk - The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

Interest Rate Risk - The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments:	Totals as of 6/30/2021	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government Investment Pool	\$ 4,459,254	\$ -	\$ -	\$ -	\$ 4,459,254
	<u>\$ 4,459,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,459,254</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 3 – Cash and Investments (continued)

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and investments	2,776,295	1,862,602	\$ 4,638,897

Cash and Investments are comprised of the following as of June 30, 2021:

Petty cash	\$ 250
Carrying amount of demand deposits	179,393
Carrying amount of investments	4,459,254
	\$ 4,638,897

Note 4 – Receivables

Governmental receivables are comprised of the following as of June 30, 2021:

	General Fund	Street Fund	PHURA Debt Service Fund	Total
Accounts Receivable:				
Citation fines and forfeitures	\$ 60,867	\$ -	\$ -	\$ 60,867
Intergovernmental	65,695	58,099	30,957	154,751
Other	101,898	18,326	-	120,224
Total	\$ 228,460	\$ 76,425	\$ 30,957	\$ 335,842

Business-type receivables are comprised of the following as of June 30, 2021:

	Water Fund
Accounts Receivable:	
Customer utility accounts	\$ 254,495
Total	\$ 254,495

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 5 – Capital Assets

Changes in the Governmental capital assets for the year ended June 30, 2021 are as follows:

Governmental Activities:	Balance June 30, 2020	Additions	Transfers/ Disposals	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 1,740,961	\$ -	\$ -	\$ 1,740,961
Construction in Progress	54,143	43,500	(54,143)	43,500
Total capital assets not being depreciated	1,795,104	43,500	(54,143)	1,784,461
Capital assets being depreciated:				
Buildings & Improvements	6,789,074	-	(133,701)	6,655,373
Machinery & Equipment	612,815	155,357	(138,295)	629,877
Infrastructure	4,431,481	915,852	(14,451)	5,332,882
Total capital assets being depreciated	11,833,370	1,071,209	(286,447)	12,618,132
Less accumulated depreciation for:				
Buildings & Improvements	(1,037,696)	(173,119)	149,218	(1,061,597)
Machinery & Equipment	(402,311)	(48,790)	138,295	(312,806)
Infrastructure	(803,424)	(124,885)	48,012	(880,297)
Total accumulated depreciation	(2,243,431)	(346,794)	335,525	(2,254,700)
Total capital assets being depreciated, net	9,589,939	724,415	49,078	10,363,432
Total capital assets governmental activities, net	\$ 11,385,043	\$ 767,915	\$ (5,065)	\$ 12,147,893

Depreciation expense for the year of \$346,794 was charged to non-departmental.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 5 – Capital Assets (continued)

Changes in the Business-type capital assets for the year ended June 30, 2021 are as follows:

Business-type Activities:	Balance June 30, 2020	Additions	Transfers/ Disposals	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 21,731	\$ -	\$ -	\$ 21,731
Construction in Progress	39,051	-	(39,051)	-
 Total capital assets not being depreciated	 60,782	 -	 (39,051)	 21,731
Capital assets being depreciated:				
Buildings & Improvements	1,754,602	-	-	1,754,602
Machinery & Equipment	631,178	18,574	(15,275)	634,477
Infrastructure	3,976,210	333,224	39,051	4,348,485
 Total capital assets being depreciated	 6,361,990	 351,798	 23,776	 6,737,564
Less accumulated depreciation for:				
Buildings & Improvements	(1,088,522)	(44,835)	-	(1,133,357)
Machinery & Equipment	(617,276)	(10,624)	15,275	(612,625)
Infrastructure	(1,314,848)	(97,948)	-	(1,412,796)
 Total accumulated depreciation	 (3,020,646)	 (153,407)	 15,275	 (3,158,778)
 Total capital assets being depreciated, net	 3,341,344	 198,391	 39,051	 3,578,786
 Total capital assets business-type activities, net	 \$ 3,402,126	 \$ 198,391	 \$ -	 \$ 3,600,517

Depreciation expense for the year of \$153,407 was charged to the Water Fund.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 6 – Interfund Transactions

Interfund transfers during the year ended June 30, 2021 were as follows:

	<u>In</u>	<u>Out</u>
Governmental Activities:		
General Fund	\$ 600,000	\$ -
Street Fund	-	600,000
Phoenix Urban Renewal Fund	100,000	-
Phoenix Urban Renewal Debt Service Fund	-	100,000
	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Business-type Activities:		
Water Fund	\$ -	\$ 300,000
Water Capital Reserve Fund	300,000	-
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

The City made budgeted transfers from the Street, Urban Renewal, Debt Service and Water fund to fund current and future capital outlay projects to the Capital Projects Fund.

Note 7 – Accrued Compensated Absences

As of June 30, 2021, the outstanding balance is comprised of accrued vacation and certain accrued sick time. On termination from employment, one-half of an employee's unused accrued sick leave will be converted to the Oregon Public Employees Retirement System (PERS), if eligible. At fiscal year end, the City had no employees eligible for this sick-leave benefit. Changes in accrued compensated absences for the year ended June 30, 2021, are as follows:

	<u>Accrued June 30, 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Accrued June 30, 2021</u>
Governmental Activities	\$ 54,469	\$ 62,057	\$ (51,359)	\$ 65,167
Business-Type Activities	<u>8,528</u>	<u>10,027</u>	<u>(6,933)</u>	<u>11,622</u>
Total	<u>\$ 62,997</u>	<u>\$ 72,084</u>	<u>\$ (58,292)</u>	<u>\$ 76,789</u>

Note 8 – Long-Term Debt

Governmental Activities

208 Main Street Land Loan

On March 23, 2015, the Agency entered into a seller held note loan agreement with Michael Reese in the amount of \$75,000. The purpose of the loan was for the purchase of property at 208 Main St. Phoenix, Oregon. The outstanding principal balance of the note bore interest at 7% per annum. Monthly principal and interest payments were payable the first of each month, commencing on July 1, 2015. The note matured on July 1, 2020. Interest expense for 2021 was \$19.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 8 – Long-Term Debt (continued)

Full Faith and Credit bonds - Series 2015B and 2015C

On September 29, 2015, the City issued \$3,320,000 of full faith and credit obligation bonds, Series 2015B and 2015C to finance projects in the City's urban renewal area and to pay for costs of issuance of \$62,290, sale and delivery of the bonds at a premium of \$245,812. The agreement contains a provision that in an event of default the Trustee may exercise any remedy available by law or in equity; however, the payments are not subject to acceleration. In conjunction with the issuance of the bonds, the City and the Phoenix Urban Renewal Agency (PhURA) entered into an intergovernmental agreement, where the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2015B and 2015C obligation under the terms of such obligations. The interest rate for the Series 2015B is 4.00%, and the Series 2015C ranged between 1.85%-2.90%. Interest and amortization expense during the current year for the 2015B and 2015C were \$111,853 and \$2,083 respectively. The note for the 2015C bond matured and was paid in full as of June 30, 2021.

Annual debt service requirements associated with the 2015B bond issuance is as follows:

Year	Principal	Interest	Total	Net premium (discount)
2022	\$ 135,000	\$ 99,600	\$ 234,600	\$ 11,253
2023	140,000	94,200	234,200	11,253
2024	145,000	88,600	233,600	11,253
2025	155,000	82,800	237,800	11,253
2026	160,000	76,600	236,600	11,253
2027-2031	900,000	281,800	1,181,800	56,266
2032-2035	855,000	87,200	942,200	45,014
Total	<u>\$2,490,000</u>	<u>\$ 810,800</u>	<u>\$3,300,800</u>	<u>\$ 157,545</u>

Series 2017 Obligations

On November 17, 2017, the City entered into a Trust Agreement and Financing Agreement with Key Governance Finance, Inc. The City entered into the Trust Agreement to provide for the issuance of \$1,560,000 of full faith and credit obligation bonds, Series 2017 to finance projects in the City's urban renewal area and to pay for costs of issuance of \$55,300. The agreement contains a provision that in an event of default the Trustee may exercise any remedy available by law or in equity; however, the payments are not subject to acceleration. In conjunction with the issuance of the bonds, the City and the Phoenix Urban Renewal Agency (PHURA) entered into an intergovernmental agreement, where the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2017 obligation under the terms of such obligations.

The Series 2017 Obligations stated interest rate is a fixed annual interest rate of 2.89%. Principal and Interest is payable semiannually on May 17 and November 17 of each (first payment was due on May 17, 2018). The maturity date of the bonds is November 17, 2032. At the option of the City prepayment of the outstanding balance may be made on any date, by giving not less than one Business Day's prior notice and will include a prepayment fee based on the prepayment date. The interest rate of 2.890%, resulted in interest expense for 2021 of \$38,200.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 8 – Long-Term Debt (continued)

Series 2017 Obligations (continued)

Annual debt service requirements associated with the 2017 bond issuance is as follows:

Year	Principal	Interest	Total
2022	\$ 93,344	\$ 35,560	\$ 128,904
2023	96,061	32,842	128,903
2024	98,857	30,046	128,903
2025	101,735	27,169	128,904
2026	104,696	24,207	128,903
2027-2031	571,010	73,509	644,519
2032-2033	187,900	5,456	193,356
Total	<u>\$1,253,603</u>	<u>\$ 228,789</u>	<u>\$1,482,392</u>

Business-Type Activities

Refunding Bonds-Series 2015

On June 3, 2015, the City entered into a Trust Agreement and Financing Agreement with Key Governance Finance, Inc. The City entered into the Trust Agreement to provide for the issuance of \$1,815,000 of full faith and credit refunding obligation bonds, Series 2015, the proceeds of which retired, in full, two existing Water Revenue Bonds (Phase I, Loan 91-03, in the amount principal paid of \$935,386 and Phase II, Loan 91-05, in the amount principal paid of \$921,921 totaling \$1,857,307 of principal owing as of the refunding issuance date. The 2015 Refunding Obligation bonds financing agreement contains a provision that in an event of default the Trustee may exercise any remedy available by law or in equity; however, the payments are not subject to acceleration. The 2015 Refunding Obligations Bonds maturing on December 1, 2027 and any date thereafter are subject to prepayment at the option of the City prior to their stated maturity dates at any time on or after December 1, 2024, as a whole or in part, and if in part.

These water revenue refunding bonds were issued at a premium of \$114,452. This refunding was undertaken by the City to take advantage of substantially reduced interest costs, ranging from 1% to 4% per annum for the refunding bonds, retiring existing debts carrying interests cost of about 4.75% to the City, along with the taking advantage of net premiums, at refunding issuance, mentioned above. Differences in overall costs could amount to over \$625,000 in economic gains to the City. Interest and amortization expense for 2021 was \$59,469.

Annual debt service requirements associated with the Refunding 2015 bond issuance is as follows:

Year	Principal	Interest	Total	Net premium (discount)
2022	\$ 70,000	\$ 53,700	\$ 123,700	\$ 4,069
2023	70,000	51,600	121,600	4,069
2024	70,000	49,500	119,500	4,069
2025	75,000	47,325	122,325	4,069
2026	75,000	44,700	119,700	4,069
2027-2031	435,000	173,900	608,900	20,343
2032-2036	525,000	78,500	603,500	20,343
2037	120,000	2,400	122,400	4,065
Total	<u>\$1,440,000</u>	<u>\$ 501,625</u>	<u>\$1,941,625</u>	<u>\$ 65,096</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 8 – Long-Term Debt (continued)

Water Contract - Storage #1

On April 7, 1982 the City entered into a contract for a \$269,950 payable to the United States of America, for water storage in Lost Creek Lake, a U.S. Army Corps of Engineers' owned facility. Annual payments of \$10,643, including interest of 3.254% are payable each July 25th through 2031. Principal and interest payments are made from the Water Fund. Interest expense for 2021 was \$3,395.

Annual debt service requirements associated with the Water Contract – Storage #1 is as follows:

Year	Principal	Interest	Total
2022	\$ 7,484	\$ 3,159	\$ 10,643
2023	7,727	2,915	10,642
2024	7,979	2,664	10,643
2025	8,238	2,405	10,643
2026	8,506	2,137	10,643
2027-2031	46,867	6,348	53,215
2032	10,239	403	10,642
Total	\$ 97,040	\$ 20,031	\$ 117,071

Business Oregon Bridge Loan Financing Contract

On March 31, 2021, the City executed a financing contract with the State of Oregon, acting by and through its Oregon Infrastructure Finance Authority of the Business Development Department (OBDD) for a zero-interest bridge loan of \$88,597. The financing proceeds are disbursed to the City on an expense reimbursement or costs-incurred basis. The purpose of this loan is to provide needed resources prior to the U.S. Federal Emergency Management Agency (FEMA) reimbursing the City to purchase and install ten portable automatic flushing devices and four fire hydrants within its drinking water system. The City also entered into an agreement with the U.S. Federal Emergency Management Agency (FEMA) to pay 75% of the costs of the project. The remaining 25% of the loan is a required local match that will be discharged by OBDD and automatically converted into an OBDD grant. Subject only to receipt and approval of evidence of FEMA's payment of qualified activities. Any portion of the Costs of the Project not reimbursed by FEMA or converted to a Grant, remains subject to payment. The bridge loan is due and payable in full on the maturity date of June 30, 2024 or the receipt of refunding proceeds by either party, whichever is earlier. As of June 30, 2021, there were \$35,626 in disbursements from OBDD related to this financing contract. The repayment commencement activity has not yet occurred; therefore, no payment schedule is available at this time.

Safe Drinking Water Revolving Loan (SDWRLF) Financing Contact

On July 12, 2019 the City executed a financing contract with the State of Oregon, acting by and through its Oregon Infrastructure Finance Authority of the Business Development Department (OBDD) for a non-revolving 1% interest loan of \$20,000. The purpose of this loan was to procure a professional engineer licensed in the State of Oregon to complete a Seismic Risk Assessment and Mitigation Plan. The financing proceeds were disbursed to the City on an expense reimbursement or costs-incurred basis. Subject to satisfaction by the City of all conditions of the contract, and provided that no event of default has occurred, OBDD agreed to forgive the repayment of the loan and any interest accrued. The City has received \$19,863 from OBDD for the Project, all of which had been forgiven as of June 30, 2021.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 8 – Long-Term Debt (continued)

The following is a recap of the City's long-term debt obligations for the year ended June 30, 2021:

	Outstanding July 1, 2020	Issued	Matured and Redeemed	Outstanding June 30, 2021	Due within One Year
Governmental Funds					
208 Main Street Loan Payable (direct borrowing)	\$ 2,950	\$ -	\$ (2,950)	\$ -	\$ -
FFC Bonds, Series 2015B (direct borrowing)	2,515,000	-	(25,000)	2,490,000	135,000
FFC Bonds, Series 2015C (direct borrowing)	110,000	-	(110,000)	-	-
FFC Bonds, Series 2017 (direct borrowing)	1,344,307	-	(90,704)	1,253,603	93,344
	<u>3,972,257</u>	<u>-</u>	<u>(228,654)</u>	<u>3,743,603</u>	<u>228,344</u>
Unamortized Premium/(Discount)	167,691	-	(10,146)	157,545	11,253
Total Governmental Funds	<u>4,139,948</u>	<u>-</u>	<u>(238,800)</u>	<u>3,901,148</u>	<u>239,597</u>
Business Type Activities					
Advanced Refunding Bonds -					
Series 2015 (direct placement)	1,505,000	-	(65,000)	1,440,000	70,000
Lost Creek Water Storage (direct borrowing)	104,288	-	(7,248)	97,040	7,484
Business Oregon Bridge Loan (direct borrowing)	-	35,626	-	35,626	-
SDWRLF Loan (direct borrowing)	-	19,863	(19,863)	-	-
	<u>1,609,288</u>	<u>55,489</u>	<u>(92,111)</u>	<u>1,572,666</u>	<u>77,484</u>
Unamortized Premium/(Discount)	69,165	-	(4,069)	65,096	4,069
Total Business Type Activities	<u>1,678,453</u>	<u>55,489</u>	<u>(96,180)</u>	<u>1,637,762</u>	<u>81,553</u>
Total Long-Term Debt	<u>\$ 5,818,401</u>	<u>\$ 55,489</u>	<u>\$ (334,980)</u>	<u>\$ 5,538,910</u>	<u>\$ 321,150</u>

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB)

Retirement Health Insurance Account (RHIA)

Plan Description - As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired on or after August 29, 2003.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB)

Retirement Health Insurance Account (RHIA)

Funding Policy - Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The contribution rates in effect for the fiscal year ended June 30, 2021 for the OPEB program were: Tier1/Tier 2 – 0.05%, and OPSRP general service – 0.00%. The City contributed \$109 for the year ended June 30, 2021.

Oregon PERS Comprehensive Annual Financial Report (CAFR) –

Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/documents/financials/CAFR/2020-CAFR.pdf>

Actuarial Valuation –

The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 10 – Defined Benefit Pension Plan* except the table listed below:

Actuarial assumptions:

Retiree healthcare participation	Healthy retirees: 32%; Disabled retirees: 20%
Healthcare cost trend rate	Not applicable

The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, Investment Rate of Return, and Mortality Tables.

At June 30, 2021, the City reported \$16,013 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020 (measurement date), the City's proportion was approximately 0.007858820 percent.

For the year ended June 30, 2021, the City recognized a reduction of OPEB expense related to RHIA of \$1,137. The reduction of OPEB expense was generated during the measurement period primarily as a result of more than anticipated investment returns at the OPERS level. The \$1,137 was treated as a reduction of payroll related expense in the Statement of Activities.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB) (continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,637
Changes of assumptions	-	851
Net difference between projected and actual earnings on investments:	1,781	-
Changes in proportionate share:	3,521	220
Contributions subsequent to measurement date	<u>109</u>	<u>-</u>
Total	<u>\$ 5,411</u>	<u>\$ 2,708</u>

\$109 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to OPEB will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)</u>
2022	\$ 55
2023	1,318
2024	658
2025	563
2026	-
Thereafter	<u>-</u>
Total	<u>\$ 2,594</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 9 - Post-Employment Benefits Other Than Pensions (OPEB) (continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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

City's Net Pension Asset/(Liability)	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
Proportionate share of net RHIA asset/(liability)	\$ 12,928	\$ 16,013	\$ 18,651

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

Changes in Assumptions

The changes in assumptions used for RHIA are identical to the changes in assumptions related to the OPERS Plan disclosed in *Note 10 – Defined Benefit Pension Plan*.

Note 10 – Defined Pension Plans

OPERS Plan

Plan Description - Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 23A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, PERS active Tier One or Tier Two members became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

Tier One/Tier Two Retirement Benefit (Chapter 238)

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

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020.

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

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

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

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

OPSRP Pension Program (Chapter 238A) (continued)

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for General Service members is age 65, or age 58 with 30 years of retirement credit.

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

Under Senate Bill 1049, passed during 2019 legislation session, the salary included in the determination of the final average salary will be limited for all members beginning in 2020.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

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

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

Benefit Changes After Retirement - Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustment (COLA). The COLA is capped at 2.0 percent.

Contributions –

PERS funding policy provides for periodic member and employer contributions at rates established by the Public Employees Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the PERS third-party actuary.

This funding policy applies to the OPERS Defined Benefit Plan. Employer contributions during the period July 1, 2020 through June 30, 2021, were based on the December 31, 2018 actuarial valuation, which became effective July 1, 2020. For this period, employer contribution rates were 15.57% for Tier 1/Tier 2 employees and 8.80% for OPSRP General Employees and 13.43% for OPSRP police and fire employees. The City's employer contributions for the year ended June 30, 2021 were \$154,332 excluding amounts to fund employer specific liabilities.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

OPSRP Pension Program (Chapter 238A) (continued)

Pension Plan Comprehensive Annual Financial Report (CAFR) –

OPERS prepares their financial statements in accordance with generally accepted accounting principles in the United States of America as set forth in Governmental Accounting Standards Board (GASB) pronouncements that apply to governmental accounting for fiduciary funds and enterprise funds. The accrual basis of accounting is used for all funds. Contributions recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable in accordance with the terms of the plans. Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction in between market participants at the measurement date. OPERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Actuarial Valuation - The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability -

Valuation date	December 31, 2018
Measurement date	June 30, 2020
Experience study	2018, published July 24, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> PUB-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> PUB-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Disabled retirees:</i> PUB-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

OPSRP Pension Program (Chapter 238A) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study, which reviewed experience for the four-year period ending on December 31, 2018.

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

Assumed Asset Allocation –

Asset Class	Target Allocation
Cash	0.00%
Debt securities	20.00%
Public equity	32.50%
Private equity	17.50%
Real estate	12.50%
Alternative equity	15.00%
Risk parity	2.50%
	100.00%

Investment Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in August 2019 the OPERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

OPSRP Pension Program (Chapter 238A) (continued)

The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC’s description of each asset was used to map the target allocation to the asset classes shown below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Annualized Geometric Mean</u>
Core fixed income	9.60%	1.07%
Short-term bonds	9.60%	3.68%
Bank/leveraged loans	3.60%	5.19%
High yeild bonds	1.20%	5.75%
Large/Mid cap US equities	16.16%	6.30%
Small cap US equities	1.35%	6.68%
Micro cap US equities	1.35%	6.79%
Developed foreign equities	13.48%	6.91%
Emerging market equities	4.23%	7.69%
Non-US small cap equities	1.93%	7.25%
Private equities	17.50%	8.33%
Real estate (property)	10.00%	5.55%
Real estate (REITS)	2.50%	6.69%
Hedge fund of funds - diversified	1.50%	4.06%
Hedge fund - event-driven	0.38%	5.59%
Timber	1.13%	5.67%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.11%	3.79%
Total	<u>100.00%</u>	
Assumed inflation - mean		2.50%

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

At June 30, 2021, the City reported a liability of \$2,298,183 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The City’s proportion of the net pension liability was based on the City’s long-term contribution effort to the pension plan compared with the total projected long-term contribution effort of all participating employers, actuarially determined. At June 30, 2021, the City’s proportion was approximately 0.01053080 percent.

For the year ended June 30, 2021, the City recognized a increase in pension expense of \$340,560. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level. The \$340,560 was treated as an increase of payroll related expense in the Statement of Activities.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience:	\$ 101,148	\$ -
Changes in assumptions:	123,336	4,321
Net difference between projected and actual earnings on investments:	270,236	-
Changes in proportionate share:	254,682	148,815
Differences between employer contributions and employer's proportionate share of system contributions	-	170,421
Contributions subsequent to measurement date	154,332	-
Total	\$ 903,734	\$ 323,557

\$154,332 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to pensions will be recognized in pension expense or (expense reduction) as follows:

Year Ended June 30,	Deferred Outflow/Inflow of Resources (prior to post- measurement date)
2022	\$ 64,842
2023	108,666
2024	158,041
2025	94,945
2026	(649)
Thereafter	-
Total	\$ 425,845

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

Sensitivity for the City’s Proportionate Share of the Net Pension (Liability) to Changes in Discount Rate

The following presents the City’s proportionate share of the net pension asset (liability) calculated using the discount rate of 7.20 percent, as well as what the City’s proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate:

City’s Net Pension Asset/(Liability)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Defined Benefit Pension	\$ (3,412,612)	\$ (2,298,183)	\$ (1,363,683)

Changes in Assumptions and Methods –

A summary of key changes implemented since the December 31, 2017 valuation are noted below. Additional detail and list of changes can be found in the 2018 Experience Study for the System, which can be found at: https://www.oregon.gov/pers/Documents/Exp_Study_2018.pdf

- Update the explicit assumptions regarding administrative expenses for Tier 1/Tier 2 and OPSRP.
- Update the assumed RHIPA cost subsidy trend rates.
- Adjust mortality assumptions to use the new “Pub-2010” base tables and a standard update to the mortality improvement scale, which is based on 60-year unisex average Social Security experience.
- Adjust retirement rates for certain member categories and service bands to more closely align with recent and expected future experience; reduce percentage of future retirees assumed to elect a partial lump sum; increase percentage of members assumed to purchase credited service at retirement.
- Increase the merit component of the salary increase assumption for two member categories based on observations of the last eight years of experience.
- Update pre-retirement termination of employment assumptions for two member categories.
- Lower assumed rates of ordinary (non-duty) disability and general service duty disability to more closely match recent experience.
- Increase the Tier 1 unused vacation cash out assumption for most member categories, reflecting recent experience.
- Adjust the Tier 1/Tier 2 unused sick leave assumption for five member categories to more closely reflect recently observed experience.
- Decrease the healthy participation assumption for the RHIA retiree healthcare program, reflecting recent experience.
- Decrease the RHIPA participation assumption for most service bands, reflecting recent experience.
- Senate Bill 1049 was signed into law in June 2019 and requires a one-time re-amortization of Tier 1/Tier 2 UAL in the calculation of actuarially determined contribution rates for the 2021-2023 biennium. No additional changes are recommended for most actuarial methods, including the actuarial cost method, amortization method, and rate collar.
- When allocating accrued liability for Tier 1/Tier 2 active members who have earned service with multiple PERS employers, base 90% of the allocation on length of service with each employer (100% for police & fire members) and base the rest on the member account balance associated with each employer. The percentage allocation for general service has increased 5% since the prior experience study. This movement illustrates the continued migration of projected future Tier 1/Tier 2 retirement benefits away from the Money Match calculation, which is based on account balances, toward the ongoing Full Formula approach, which is based on final average salary.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 10 – Defined Pension Plans (continued)

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits - Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions – Starting July 1, 2020, Senate Bill 1049 required member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 a month, 0.75% for OPSRP members and 2.5% for Tier One and Tier Two members' salaries that were previously contributed to the member's IAP began funding the new Employee Pension Stability Accounts to help fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. OPERS estimates that approximately \$125 million in member contributions will be redirected in fiscal year 2020-21.

During 2021, the City, as an employee benefit, paid the employees portion of the contribution. Employer contributions for the year ended June 30, 2021 were \$60,457, of which \$50,622 were deposited into the individual members' accounts.

Note 11 – Risk Management

The City of Phoenix 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. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the City has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

Note 12 – Property Tax Limitations

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 12 – Property Tax Limitations (continued)

An additional limit reduced the amount of operating property tax revenues available to the City for its 1997- 98 fiscal year, and thereafter. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

Note 13 – Commitments and Contingencies

Amounts received or receivable from government agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected may constitute a liability of the City. The amount, if any, of costs which may be disallowed by the agency cannot be determined at this time, although the City management expects such amounts, if any, to be immaterial.

Note 14 – Concentrations of Risk

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 15 – Current Vulnerability Due to Certain Concentrations

The City's operations are concentrated within Jackson County. In addition, substantially all the City's revenues, other than charges for services, for continuing operations are from federal, state, and local government agencies.

Note 16 – Uncertainties

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily or restricted access to their premises. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel-related businesses. A significant portion of business and revenue within the City is derived from events that historically have brought in many out of town participants and customers. There are also a number of small restaurants and shops within city limits that have been severely impacted by closures and restrictions. Given the uncertainty regarding the spread of the coronavirus, the related financial impact cannot be reasonably predicted or estimated at this time. Furthermore, the consequent effect the City will face due to the impact on residing businesses and citizens cannot be reasonably predicted or estimated at this time.

On September 8, 2020 the devastating Alameda fire swept through the City of Phoenix. It destroyed 568 structures, primarily residences. With the help of the State of Oregon, the City has started long-term recovery planning and projects.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2021

Note 16 – Uncertainties (continued)

The estimated loss in property tax revenue from the reduced tax base is approximately \$135,700 (11%) and the reduction in water revenue, street fees, public safety and park maintenance is \$450,000.

These losses will be subsidized by state grants and FEMA assistance in the amount of \$1.6 million during fiscal years 2020-21 and 2021-22 to cover expenses incurred during the fire, damaged City property and additional personnel costs associated with fire and rebuilding efforts.

The City has a balanced budget for fiscal year 2021-22 and sufficient funding to maintain services, pay personnel and operating costs, and pay debt service obligations during the rebuilding process.

Note 17 – Tax Abatements

As of June 30, 2021 Jackson County provides tax abatements through various State of Oregon programs. For the fiscal year ended June 30, 2021, the City abated property taxes totaling \$3,045 under this program.

Note 18 – Subsequent Events

Management of the City has evaluated events and transactions occurring after June 30, 2021 through January 30, 2023, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

Through the Local Fiscal Recovery Funds program, the American Rescue Plan Act (ARPA) provides a second major infusion of federal relief dollars directly to the City. The City was awarded \$1 million of ARPA funds, with the first distribution of \$516 thousand received in August 2021. The second distribution of \$516 thousand was received in August 2022.

Based on management's knowledge, there were no additional events and/or transactions that required recognition and disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PHOENIX
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
AND SCHEDULE OF THE CITY'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

City of Phoenix Proportionate Share of Net Pension Asset / (Liability)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of proportion of the net pension asset/(liability)	0.01053080%	0.01005562%	0.00745124%	0.01064887%	0.01100000%	0.00500000%	0.00400000%
City's proportion of the net pension asset/(liability)	\$ (2,298,183)	\$ (1,739,381)	\$ (1,128,765)	\$ (1,435,472)	\$ (1,674,829)	\$ (1,237,296)	\$ (815,813)
City's covered-employee payroll	\$ 1,075,127	\$ 1,243,262	\$ 1,132,253	\$ 1,130,229	\$ 1,170,042	\$ 1,170,903	\$ 1,015,321
City's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-213.76%	-139.90%	-99.69%	-127.01%	-143.14%	-105.67%	80.35%
Plan fiduciary net position as a percentage of the total pension liability	75.80%	80.20%	82.07%	83.10%	80.52%	91.88%	103.59%

City of Phoenix Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 154,332	\$ 127,697	\$ 96,938	\$ 84,453	\$ 104,419	\$ 123,976	\$ 123,587
Contribution in relation to the contractually required	<u>(154,332)</u>	<u>(127,697)</u>	<u>(96,938)</u>	<u>(84,453)</u>	<u>(104,419)</u>	<u>(119,841)</u>	<u>(123,587)</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered - employee payroll	\$ 991,837	\$ 1,075,127	\$ 1,243,262	\$ 1,132,253	\$ 1,130,229	\$ 1,170,042	\$ 1,170,903
Contributions as a percentage of covered-employee payroll	15.56%	11.88%	7.80%	7.46%	9.24%	10.60%	10.55%

Note to schedule -

A summary of key changes implemented since the December 31, 2018 valuation are described briefly in *Note 10* in the Notes to the Basic Financial Statements. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the system can be found at: http://www.oregon.gov/PERS/Documents/Exp_Study_2018.pdf

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 68 during fiscal 2015, as a result, only seven years of information is presented.

**CITY OF PHOENIX
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OTHER POST EMPLOYMENT BENEFIT (OPEB) ASSET/(LIABILITY)
AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (RHIA)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

City of Phoenix Proportionate Share of Net OPEB (Liability) / Asset

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB RHIA asset/(liability)	0.00785882%	0.01131231%	0.01063990%	0.00939976%
City's proportion of the net OPEB RHIA asset/(liability)	\$ 16,013	\$ 21,859	\$ 11,877	\$ 3,923
City's covered-employee payroll	\$ 1,075,127	\$ 1,243,232	\$ 1,132,253	\$ 1,130,229
City's proportionate share of the net OPEB RHIA asset/(liability) as a percentage of its covered-employee payroll	1.49%	1.76%	1.05%	0.35%
Plan fiduciary net position as a percentage of the total pension liability	150.10%	144.40%	123.90%	108.88%

City of Phoenix Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 109	\$ 561	\$ 5,607	\$ 5,152
Contribution in relation to the contractually required	\$ (109)	\$ (561)	\$ (5,607)	\$ (5,152)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered - employee payroll	\$ 991,837	\$ 1,075,127	\$ 1,243,232	\$ 1,132,253
Contributions as a percentage of covered-employee payroll	0.01%	0.05%	0.45%	0.46%

Note to schedule:

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The City adopted GASB 75 for RHIA during fiscal 2018, as a result, only four years of information is presented.

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Property taxes	\$ 1,093,415	\$ 1,093,415	\$ 1,217,939	\$ 124,524
Other taxes	16,000	16,000	29,570	13,570
Charges for services	66,211	162,946	184,710	21,764
Licenses and permits	81,050	81,050	369,012	287,962
Earnings on investments	65,000	65,000	24,297	(40,703)
Intergovernmental	254,195	384,928	389,906	4,978
Parks maintenance fee	52,000	52,000	42,816	(9,184)
Public safety fee	76,500	76,500	72,358	(4,142)
Franchise fees	313,800	313,800	267,965	(45,835)
Fines and forfeitures	113,307	113,307	52,094	(61,213)
Special payments	-	-	60,827	60,827
Miscellaneous	2,605	101,955	250,438	148,483
TOTAL REVENUES	2,134,083	2,460,901	2,961,932	501,031
EXPENDITURES:				
Current				
Executive	240,953	282,481	259,144	23,337
Administrative	171,063	171,063	178,137	(7,074)
Planning department	219,778	373,096	601,824	(228,728)
Parks maintenance	144,824	210,856	133,444	77,412
Police department	1,565,201	1,570,028	1,419,350	150,678
Special payments	-	-	60,827	(60,827)
Contingency	106,164	167,277	-	167,277
TOTAL EXPENDITURES	2,447,983	2,774,801	2,652,726	122,075
OTHER FINANCING SOURCES (USES):				
Transfers out	(525,000)	(525,000)	-	525,000
TOTAL OTHER FINANCING SOURCES (USES)	(525,000)	(525,000)	-	525,000
NET CHANGE IN FUND BALANCE	(838,900)	(838,900)	309,206	1,148,106
FUND BALANCE - JULY 1, 2020	1,335,980	1,335,980	1,023,303	(312,677)
FUND BALANCE - JUNE 30, 2021	\$ 497,080	\$ 497,080	\$ 1,332,509	\$ 835,429

Note to Schedule:

The General Fund is combined with Capital Reserve Fund and Police Station Reserve Fund on a GAAP basis. The Budgetary Comparison Schedule Budget-To-GAAP Reconciliation - General Fund is used to reconcile the Budgetary to GAAP basis (page 50).

The General Fund had an overspend in administrative in the amount of \$23,092, the planning department in the amount of \$224,243, and special payments in the amount of \$60,827.

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Miscellaneous revenue	\$ -	\$ -	\$ 1,627	\$ 1,627
Grants	-	-	-	-
TOTAL REVENUES	-	-	1,627	1,627
EXPENDITURES:				
Current:				
Materials and services	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Capital outlay	1,030,000	1,030,000	1,144,736	(114,736)
TOTAL EXPENDITURES	1,045,000	1,045,000	1,144,736	(99,736)
OTHER FINANCING SOURCES (USES):				
Transfers in	600,000	600,000	600,000	-
Insurance proceeds	-	-	317,334	317,334
TOTAL OTHER FINANCING SOURCES (USES)	600,000	600,000	917,334	(317,334)
NET CHANGE IN FUND BALANCE	(445,000)	(445,000)	(225,775)	219,225
FUND BALANCE - JULY 1, 2020	836,512	836,512	811,004	25,508
FUND BALANCE - JUNE 30, 2021	\$ 391,512	\$ 391,512	\$ 585,229	\$ 193,717

Note to Schedule:

The General Fund is combined with Capital Reserve Fund on a GAAP basis. The Budgetary Comparison Schedule Budget-To-GAAP Reconciliation - General Fund is used reconcile the Budgetary to GAAP basis (page 50).

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
POLICE STATION RESERVE FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
OTHER FINANCING SOURCES (USES):				
Transfers	525,000	525,000	-	525,000
TOTAL OTHER FINANCING SOURCES (USES)	525,000	525,000	-	525,000
NET CHANGE IN FUND BALANCE	525,000	525,000	-	(525,000)
FUND BALANCE - JULY 1, 2020	-	-	-	-
FUND BALANCE - JUNE 30, 2021	<u>\$ 525,000</u>	<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ (525,000)</u>

Note to Schedule:

The General Fund is combined with Capital Reserve Fund on a GAAP basis. The Budgetary Comparison Schedule Budget-To-GAAP Reconciliation - General Fund is used reconcile the Budgetary to GAAP basis (page 50).

**CITY OF PHOENIX
BUDGETARY COMPARISON SCHEDULE BUDGET-
TO-GAAP RECONCILIATION - GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Combined General Fund</u>
REVENUES:			
Taxes	\$ 1,247,509	\$ -	\$ 1,247,509
Charges for services	184,710	-	184,710
Licenses and permits	369,012	-	369,012
Earnings on investments	24,297	-	24,297
Intergovernmental	389,906	-	389,906
Grants	42,816	-	42,816
Franchise fees	267,965	-	267,965
Court	72,358	-	72,358
Fines and forfeitures	52,094	-	52,094
Special payments	60,827	-	60,827
Miscellaneous	250,438	1,627	252,065
TOTAL REVENUES	<u>2,961,932</u>	<u>1,627</u>	<u>2,963,559</u>
EXPENDITURES:			
Current:			
Executive	259,144	-	259,144
Administrative	178,137	-	178,137
Planning	601,824	-	601,824
Parks	133,444	-	133,444
Police	1,419,350	-	1,419,350
Special payments	60,827	-	60,827
Capital outlay	-	1,144,736	1,144,736
TOTAL EXPENDITURES	<u>2,652,726</u>	<u>1,144,736</u>	<u>3,797,462</u>
OTHER FINANCING SOURCES (USES):			
Transfers in/(out)	-	600,000	600,000
Insurance proceeds	-	317,334	317,334
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>917,334</u>	<u>917,334</u>
NET CHANGE IN FUND BALANCE	309,206	(225,775)	83,431
FUND BALANCE - JULY 1, 2020	<u>1,023,303</u>	<u>811,004</u>	<u>1,834,307</u>
FUND BALANCE - JUNE 30, 2021	<u>\$ 1,332,509</u>	<u>\$ 585,229</u>	<u>\$ 1,917,738</u>

Note to Schedule:

The funds listed above are maintained separately by the City. However, for financial reporting purposes the City considers the combined funds to represent the General Fund in accordance with GASB 54. As such, the information above is presented as the General fund (a major fund) in the City's financial statements.

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for service	\$ 237,357	\$ 237,357	\$ 225,539	\$ (11,818)
Intergovernmental	403,750	403,750	729,358	325,608
Franchise fees	17,000	17,000	16,422	(578)
Earnings on investments	-	-	7,310	7,310
Miscellaneous	100	100	3	(97)
TOTAL REVENUES	658,207	658,207	978,632	320,425
EXPENDITURES:				
Current:				
Highway and streets:				
Personal services	254,342	254,342	184,698	69,644
Materials and services	240,565	267,236	197,420	69,816
Capital outlay	7,500	7,500	6,192	1,308
Contingency	100,000	73,329	15,237	58,092
TOTAL EXPENDITURES	602,407	602,407	403,547	198,860
OTHER FINANCING SOURCES (USES):				
Transfer out	(600,000)	(600,000)	(600,000)	-
TOTAL OTHER FINANCING SOURCES	(600,000)	(600,000)	(600,000)	-
NET CHANGE IN FUND BALANCE	(544,200)	(544,200)	(24,915)	519,285
FUND BALANCE - JULY 1, 2020	704,854	704,854	783,815	78,961
FUND BALANCE - JUNE 30, 2021	\$ 160,654	\$ 160,654	\$ 758,900	\$ 598,246

**CITY OF PHOENIX
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 STREET SDC FUND
 YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for services	\$ 10,000	\$ 10,000	\$ 2,690	\$ (7,310)
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>2,690</u>	<u>(7,310)</u>
NET CHANGE IN FUND BALANCE	10,000	10,000	2,690	(7,310)
FUND BALANCE - JULY 1, 2020	<u>2,149</u>	<u>2,149</u>	<u>(197,990)</u>	<u>(200,139)</u>
FUND BALANCE - JUNE 30, 2021	<u>\$ 12,149</u>	<u>\$ 12,149</u>	<u>\$ (195,300)</u>	<u>\$ (207,449)</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PHOENIX URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
EXPENDITURES:				
Current:				
Materials and services	\$ 57,000	\$ 57,000	\$ 27,389	\$ 29,611
Capital outlay	75,000	75,000	1,120	73,880
TOTAL EXPENDITURES	<u>132,000</u>	<u>132,000</u>	<u>28,509</u>	<u>103,491</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(32,000)	(32,000)	71,491	103,491
FUND BALANCE - JULY 1, 2020	<u>49,076</u>	<u>49,076</u>	<u>87,633</u>	<u>38,557</u>
FUND BALANCE - JUNE 30, 2021	<u>\$ 17,076</u>	<u>\$ 17,076</u>	<u>\$ 159,124</u>	<u>\$ 142,048</u>

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
EXPENDITURES:				
Current:				
Materials and service	\$ 1,300	\$ 1,300	\$ 1,300	\$ -
Debt service	367,694	367,694	367,690	4
TOTAL EXPENDITURES	<u>368,994</u>	<u>368,994</u>	<u>368,990</u>	<u>4</u>
OTHER FINANCING SOURCES (USES):				
Scheduled debt service transfer in, series 2015	368,994	368,994	368,994	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>368,994</u>	<u>368,994</u>	<u>368,994</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	4	(4)
FUND BALANCE - JULY 1, 2020	-	-	94	(94)
FUND BALANCE - JUNE 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ (98)</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PHOENIX URBAN RENEWAL DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Taxes	\$ 500,000	\$ 500,000	\$ 597,957	\$ 97,957
Investment revenue	2,000	2,000	3,063	1,063
TOTAL REVENUES	502,000	502,000	601,020	99,020
EXPENDITURES				
Current:				
Materials and service	1,300	1,300	2,773	(1,473)
TOTAL EXPENDITURES	1,300	1,300	2,773	(1,473)
OTHER FINANCING SOURCES (USES):				
Payment for intergovernmental loan	(367,694)	(367,694)	(367,694)	-
Transfers out	(100,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(467,694)	(467,694)	(467,694)	-
NET CHANGE IN FUND BALANCE	33,006	33,006	130,553	97,547
FUND BALANCE - JULY 1, 2020	31,717	31,717	51,333	19,616
FUND BALANCE - JUNE 30, 2021	\$ 64,723	\$ 64,723	\$ 181,886	\$ 117,163

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TOURIST USAGE FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Taxes	\$ 8,000	\$ 8,000	\$ 7,078	\$ (922)
TOTAL REVENUES	8,000	8,000	7,078	(922)
EXPENDITURES:				
Current:				
Material and services	8,500	8,500	-	8,500
TOTAL EXPENDITURES	8,500	8,500	-	8,500
NET CHANGE IN FUND BALANCE	(500)	(500)	7,078	7,578
FUND BALANCE - JULY 1, 2020	1,825	1,825	417	(1,408)
FUND BALANCE - JUNE 30, 2021	\$ 1,325	\$ 1,325	\$ 7,495	\$ 6,170

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARKS AND RECREATION SDC FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for service	\$ 5,000	\$ 5,000	\$ 1,576	\$ (3,424)
TOTAL REVENUES	<u>5,000</u>	<u>5,000</u>	<u>1,576</u>	<u>(3,424)</u>
NET CHANGE IN FUND BALANCE	5,000	5,000	1,576	(3,424)
FUND BALANCE- JULY 1, 2020	<u>11,465</u>	<u>11,465</u>	<u>6,088</u>	<u>(5,377)</u>
FUND BALANCE - JUNE 30, 2021	<u>\$ 16,465</u>	<u>\$ 16,465</u>	<u>\$ 7,664</u>	<u>\$ (8,801)</u>

**CITY OF PHOENIX
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2021**

	<u>Tourist Usage Fund</u>	<u>Parks and Recreation SDC Fund</u>	<u>Combined Nonmajor Governmental Funds</u>
REVENUES:			
Taxes	\$ 7,078	\$ -	\$ 7,078
Charges for services	-	1,576	1,576
TOTAL REVENUES	<u>7,078</u>	<u>1,576</u>	<u>8,654</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>7,078</u>	<u>1,576</u>	<u>8,654</u>
CHANGES IN FUND BALANCE	7,078	1,576	8,654
FUND BALANCE - JULY 1, 2020	<u>417</u>	<u>6,088</u>	<u>6,505</u>
FUND BALANCE - JUNE 30, 2021	<u>\$ 7,495</u>	<u>\$ 7,664</u>	<u>\$ 15,159</u>

PROPRIETARY FUNDS

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET WORKING CAPITAL - BUDGET AND ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for services	\$ 1,397,161	\$ 1,397,161	\$ 1,137,755	\$ (259,406)
Grants	-	-	408,242	408,242
Miscellaneous	2,500	296,553	22,047	(274,506)
TOTAL REVENUES	1,399,661	1,693,714	1,568,044	(125,670)
EXPENDITURES:				
Current:				
Personal services	479,082	543,977	358,563	185,414
Materials and services	700,100	828,697	826,738	1,959
Debt service	131,043	131,043	131,043	-
Contingency	100,000	60,000		60,000
Capital outlay	17,500	158,061	18,574	139,487
TOTAL EXPENDITURES	1,427,725	1,721,778	1,334,918	386,860
OTHER FINANCING SOURCES (USES):				
Safe Drinking Water Revolving Loan Fund proceeds	-	-	19,863	19,863
Transfers in	25,725	25,725	-	(25,725)
Transfers out	(300,000)	(300,000)	(300,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(274,275)	(274,275)	(280,137)	(5,862)
NET CHANGE IN WORKING CAPITAL	(302,339)	(302,339)	(47,011)	255,328
NET WORKING CAPITAL - JULY 1, 2020	478,738	478,738	793,243	314,505
NET WORKING CAPITAL - JUNE 30, 2021	\$ 176,399	\$ 176,399	746,232	\$ 569,833

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET WORKING CAPITAL - BUDGET AND ACTUAL
WATER CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
EXPENDITURES:				
Current:				
Materials and services	\$ 65,000	\$ 65,000	\$ 48,328	\$ 16,672
Capital outlay	625,000	625,000	333,224	291,776
TOTAL EXPENDITURES	<u>690,000</u>	<u>690,000</u>	<u>381,552</u>	<u>308,448</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(390,000)	(390,000)	(81,552)	308,448
NET WORKING CAPITAL - JULY 1, 2020	<u>1,506,544</u>	<u>1,506,544</u>	<u>1,302,072</u>	<u>(204,472)</u>
NET WORKING CAPITAL - JUNE 30, 2021	<u>\$ 1,116,544</u>	<u>\$ 1,116,544</u>	<u>\$ 1,220,520</u>	<u>\$ 103,976</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET WORKING CAPITAL - BUDGET AND ACTUAL
WATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES:				
System development charges	\$ 34,975	\$ 34,975	\$ -	\$ (34,975)
TOTAL REVENUES	<u>34,975</u>	<u>34,975</u>	<u>-</u>	<u>(34,975)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(25,725)</u>	<u>(25,725)</u>	<u>-</u>	<u>25,725</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,725)</u>	<u>(25,725)</u>	<u>-</u>	<u>25,725</u>
NET CHANGE IN WORKING CAPITAL	9,250	9,250	-	(9,250)
NET WORKING CAPITAL - JULY 1, 2020	<u>15,116</u>	<u>15,116</u>	<u>36,042</u>	<u>20,926</u>
NET WORKING CAPITAL - JUNE 30, 2021	<u>\$ 24,366</u>	<u>\$ 24,366</u>	<u>\$ 36,042</u>	<u>\$ 11,676</u>

**CITY OF PHOENIX
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN NET WORKING CAPITAL - BUDGET AND ACTUAL
 STORMWATER DEVELOPMENT CHARGES FUND
 YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES:				
System development charges	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
TOTAL REVENUES	<u>8,000</u>	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
NET CHANGE IN WORKING CAPITAL	8,000	8,000	-	(8,000)
NET WORKING CAPITAL - JULY 1, 2020	<u>2,653</u>	<u>2,653</u>	<u>9,098</u>	<u>6,445</u>
NET WORKING CAPITAL - JUNE 30, 2021	<u>\$ 10,653</u>	<u>\$ 10,653</u>	<u>\$ 9,098</u>	<u>\$ (1,555)</u>

**CITY OF PHOENIX
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET WORKING CAPITAL
WATER FUND
YEAR ENDED JUNE 30, 2021**

	<u>Combined Water Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 1,137,755
Grants	408,242
Miscellaneous	<u>22,047</u>
TOTAL OPERATING REVENUES	<u>1,568,044</u>
OPERATING EXPENSES:	
Current:	
Personal services	358,563
Materials and services	875,066
Capital outlay	<u>351,798</u>
TOTAL OPERATING EXPENSES	<u>1,585,427</u>
OPERATING INCOME (LOSS)	<u>(17,383)</u>
NONOPERATING REVENUES (EXPENSES):	
Debt service	<u>(131,043)</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(131,043)</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES	<u>(148,426)</u>
OTHER FINANCING SOURCES (USES):	
Loan forgiveness	19,863
Transfers in	300,000
Transfers out	<u>(300,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,863</u>
NET CHANGE IN WORKING CAPITAL	(128,563)
NET WORKING CAPITAL - JULY 1, 2020	<u>2,140,455</u>
NET WORKING CAPITAL - JUNE 30, 2021	<u>\$ 2,011,892</u>
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.	
Non-current asset	3,603,447
Deferred outflows	166,288
Accrued interest	(10,443)
Compensated absences	(11,622)
Long-term debt	(1,637,762)
Net pension liability	(420,351)
Deferred inflows	<u>(59,676)</u>
ENDING NET POSITION	<u>\$ 3,641,773</u>

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Council
City of Phoenix
Phoenix, Oregon

We have audited the basic financial statements of the City of Phoenix, Oregon (the City) as of and for the year ended June 30, 2021, and have issued our report thereon dated January 30, 2023. 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'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 162-10-0320 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 the 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 under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment under ORS 328.245.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under 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 under ORS Chapters 279A, 279B, 279C.

In connection with our audit, 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 Administration Rules 162-10-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as reported in Note 2 (Budgetary Information) of the financial statements.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Restrictions on Use

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

Jeny L. Grupe, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 30, 2023