League of Oregon Cities

Salem, Oregon

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2019

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LEAGUE OF OREGON CITIES

OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2019

OFFICERS

President
Greg Evans, City Councilor, Eugene

Vice-President
Jake Boone, City Councilor, Cottage Grove

Treasurer
Keith Mays, Mayor, Sherwood

Immediate Past Presidents
Timm Slater, City Councilor, North Bend

Senior Managers
Christy Wurster, City Manager, Silverton

DIRECTORS

Paul Aziz, Mayor, Lebanon
Taneea Browning, City Councilor, Central Point
Paul Chalmers, City Councilor, Pendleton
Amanda Fritz, City Commissioner, Portland
Dave Drotzmann, Mayor, Hermiston
Steve Kaser, City Councilor, Medford
Michael Sykes, City Manager, Scappoose
Ken Gibson, Mayor, King City
Tess Winebarger, City Councilor, Ontario
Christy Wurster, City Manager, Silverton
Denny Doyle, Mayor, Beaverton
David Allen, City Councilor, Newport
Cathy Clark, Mayor, Keizer
Scott Lazenby, City Manager, Lake Oswego
Drew Farmer, City Councilor, Coos Bay
Steve Callaway, Mayor, Hillsboro
Scott Derickson, City Administrator, Woodburn
Steve Uffelman, Mayor, Prineville
Christine Lundberg, Mayor, Springfield

All officers and directors receive mail at the registered address indicated below

Executive Director/Registered Agent and Registered Address

Mike Cully
1201 Court ST NE, Suite 200
Salem, OR 97301

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LEAGUE OF OREGON CITIES

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Boldt Carlisle + Smith
CERTIFIED PUBLIC ACCOUNTANTS
The right people. The right answers.

1255 Lee Street SE Suite 210 Salem Oregon 97302 | P 503.585.7751 | F 503.370.3781
408 N Third Avenue Stayton Oregon 97383 | P 503.769.2186 | F 503.769.4312
200 Calapooia Street SW Albany Oregon 97321 | P 541.928.3354 | F 541.967.7668

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
LEAGUE OF OREGON CITIES
Salem, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the LEAGUE OF OREGON CITIES, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the League'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 did not audit the financial statements of the Local Government Center Trust, which represents 17 percent of the assets of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Local Government Center Trust, is based solely on the report of the other auditors. 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the LEAGUE OF OREGON CITIES as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1M to the financial statements, the League received a transfer of operations from another entity during the fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *a – f* and the schedules of the proportionate share of the net pension liability, pension contributions, proportionate share of the net other postemployment benefits liability, other postemployment benefits contributions, and changes in the League's total other postemployment benefit liability and related ratios on pages *36 – 40* 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 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LEAGUE OF OREGON CITIES's basic financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual fund schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to 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 individual fund schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 31, 2020 on our consideration of the LEAGUE OF OREGON CITIES' compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem Oregon
January 31, 2020

Bradley G. Bingenheimer, Member

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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LEAGUE OF OREGON CITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

This section of the annual financial report presents our discussion and analysis of the League's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the League's financial statements, which follow this section.

League's Financial Planning Process

The budget process at the League begins much the same as in Oregon's cities. The executive director and the accountant meet for an in-depth financial review of the current fiscal year for an evaluation of our current position, and a review of our long-term fiscal plan. We combine projects and fiscal objectives for the coming year into a draft budget for submission to the budget committee for discussion, direction, and consideration. After consideration and amendment, the budget committee forwards the recommended, proposed budget to the full board for review and adoption at the June board meeting.

The budget committee consists of the League's executive committee (the president, vice-president, treasurer, immediate past-president, senior city manager) and a city finance director. The committee is staffed by the executive director, operations director and the accountant. The committee meets in May, with the final adoption of the budget by the full board in June.

Financial Highlights

The League will be facing increased PERS payroll rates over the next several years. Thus, while our net position will increase or decrease in response to the funding status of PERS overall, the operating results (revenues less expenditures) and our cash position remain key measures of the League's fiscal health. As indicated in the report, our revenues exceeded expenditures and our cash position remains stable. Revenues in excess of expenditures are used to provide future funding to support special projects and capital needs.

Key financial highlights for the year ended June 30, 2019:

The League's total net position was $3,877,799.

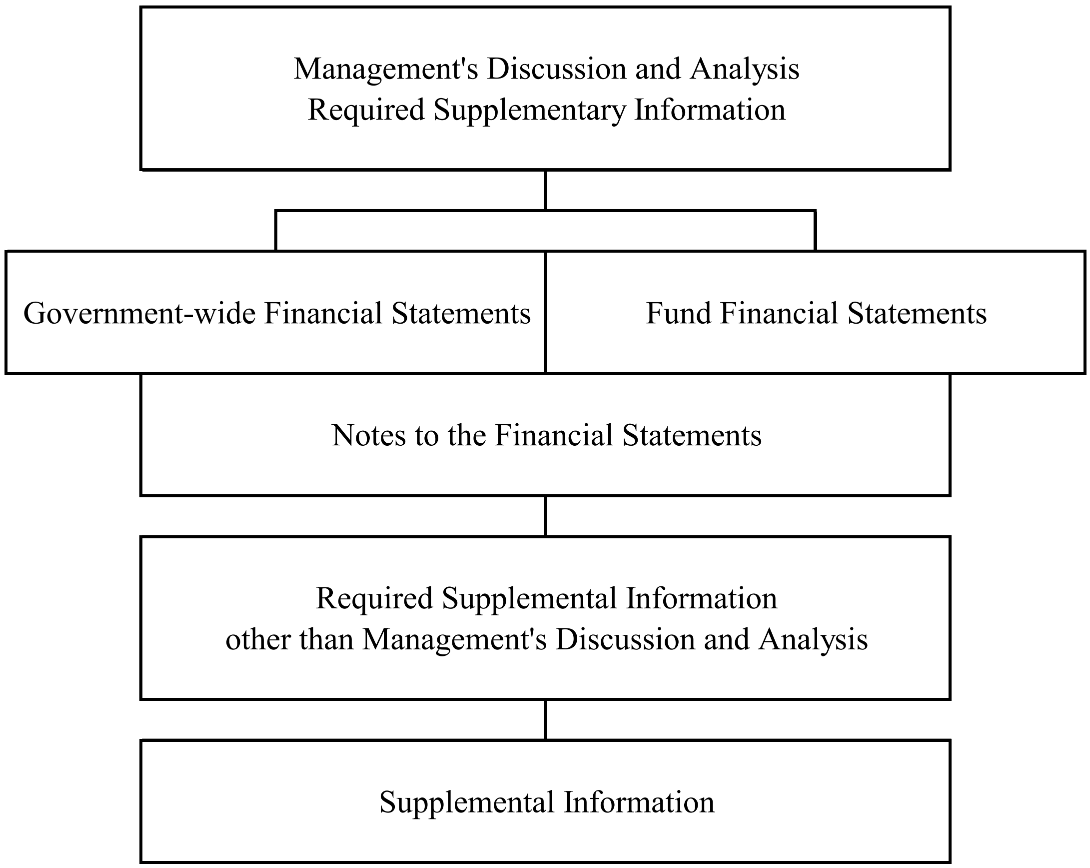
Total program revenues, general revenues and special items increased $539,994 or 15 percent.

Total program expenses increased $1,300,071 or 40 percent from the prior year.

Total fund balance in all funds shows a decrease of $(18,685) from the prior year.

Using This Annual Report

The relationship between the various financial statements, notes and other information is illustrated in the following graphic:



The primary focus of the League's financial statements is on the League as a whole (government-wide) and the League's major individual funds. Government-wide and major-funds allow the reader to address relevant questions, broaden a basis for year-to-year comparison, and provide enhancement of the League's accountability.

Government-Wide Financial Statements

The government-wide financial statements (pages 1 and 2) report information about the League as a whole, using accounting methods similar to those used by private-sector companies.

1. The focus of the statement of net position (page 1) is designed to be similar to a balance sheet for the League, and its governmental-type activities. This statement combines and consolidates all short-term resources with capital assets and long-term obligations.

2. The statement of activities (page 2) is focused on both the gross and net costs of various activities of the League and includes all of the current year's revenues and expenses.

These statements report the League's net position and how it has changed. Net position, the difference between the League's assets and liabilities, is one way to measure the League's financial health or position. Over time, and by comparison, increases or decreases in net position are an indicator of whether the League's financial health is improving or decreasing.

The government-wide statement of activities divides operations into three programs:

Administrative Services - general administration for League programs and activities.

Contractual Member Services - including contracted services and programs: city administrator recruitment, ordinance codification, uniform traffic citations and public relations.

Conferences and Workshops - including the annual conference, workshops and mini-conferences.

Fund Financial Statements

The fund financial statements provide more detailed information about the League's most significant funds, not the League as a whole. Funds are accounting and budgetary devices that the League uses to keep track of specific revenues and expenditures for particular purposes. Resources are accounted for in individual funds based upon the purposes for which they are to be spent, and are the means by which spending activities are controlled. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar.

The League has only one fund, the General Fund.

Generally accepted accounting principles also allow the League to address its capital assets and long-term obligations outside of the fund financial statements. While these items represent assets and responsibilities of the government, they are restricted in purpose and do not represent discretionary assets and liabilities of the government. Therefore, these items, including joint venture equity, long-term obligations, accumulated unpaid compensated absences, and capital assets, are not presented in the League's fund financial statements. These assets and liabilities and the changes thereon are reported in separate reconciliations between the fund financial statements and the government-wide financial statements.

Governmental-Wide Financial Statements

Statement of Net Position

The League's net position at June 30, 2019 was $3,877,799, a decrease of $(405,929) or -9% percent from June 30, 2018.

	FY 17-18	FY 18-19	Total % Change
Assets			
Current and other assets	$ 5,430,136	$ 5,698,295	5%
Capital assets	203,560	179,806	-12%
Total assets	5,633,696	5,878,101	4%
Deferred outflows of resources	569,601	1,036,559	82%
Liabilities			
Current and other liabilities	442,972	742,244	68%
Long-term obligations	1,359,693	2,095,163	54%
Total liabilities	1,802,665	2,837,407	57%
Deferred inflows of resources	116,904	199,454	71%
Net Position			
Net investment in capital assets	203,560	179,806	-12%
Restricted	51,922	-	-100%
Unrestricted	4,028,246	3,697,993	-8%
Total net position	$ 4,283,728	$ 3,877,799	-9%

Statement of Activities

Total program revenues for the League's activities were $4,164,517, an increase of $491,424 or 13 percent above the prior year. Total program expenses, including PERS liability estimate allocation changes, were $4,565,498 or 39 percent higher than the prior year.

Program revenues include membership dues, charges for services and operating grants and contributions. General revenues include interest, rents, miscellaneous, and (loss) from joint venture.

Personnel services accounted for 64 percent of program expenses and materials and services accounted for 36 percent of program expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	FY 17-18	FY 18-19	Total % Change
Program Expenses			
Personnel services	$ 2,245,822	$ 2,906,196	-3%
Materials and services	1,000,539	1,635,548	63%
Depreciation	19,066	23,754	3%
Total program expenses	3,265,427	4,565,498	40%
Revenues			
Program revenues			
Charges for services	1,629,802	2,133,671	31%
Operating grants and contributions	2,043,291	2,030,846	-1%
General revenues			
Interest	89,527	128,419	43%
Rents	8,815	33,281	278%
Miscellaneous	24,557	66,104	169%
(Loss) from joint venture	(18,917)	(21,432)	-13%
Special item	(157,500)	(211,320)	-34%
Total revenues	3,619,575	4,159,569	15%
Change in net position	354,148	(405,929)	-215%
Prior period adjustment	(17,641)	--	100%
Net position – beginning	3,947,221	4,283,728	9%
Net position - ending	$ 4,283,728	$ 3,877,799	-9%

Differences in amounts reported as revenues and expenses in the statement of activities and the amounts reported in the statement of revenues, expenditures and changes in fund balances result from differences between the full accrual and the modified accrual basis of accounting.

Financial Analysis of the League's Funds

At June 30, 2019, the League reported a fund balance for its fund of $3,927,765, which is an increase from the beginning of the year.

General Fund

The General Fund experienced a net decrease in fund balance of $(18,685). The League has maintained its cash reserves while brining Local Government Personnel Institute in house and adding new services such as the Spring Conference.

Budgetary Highlights

The League is not legally required to adopt a budget. However, management prepares, and the Board approves a budget for management purposes.

Capital Assets and Debt Administration

Historically, the largest group of assets, capital assets, has been reported at cost with no depreciation taken. GASB Statement No. 34 requires that these assets be reported net of accumulated depreciation. Depreciation of capital assets is reported as a separate expense in the statement of activities. During the year ended June 30, 2019, depreciation on capital assets amounted to $23,754.

Economic Factors and Next Year's Budget

For the 2019-2020 fiscal year budget, the Board elected to continue management of the Local Government Personnel Institute (LGPI) in house, and seek additional non-dues revenue sources to relieve the reliance of membership dues

Contacting the League's Financial Management

The League's financial statements are designed to present users with a general overview of the League's finances and to demonstrate the League's fiscal accountability. If you have questions about this report or need additional financial information, contact the League's accountant at the League of Oregon Cities, 1201 Court Street NE Suite 200, Salem, OR 97301.

BASIC FINANCIAL STATEMENTS

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LEAGUE OF OREGON CITIES

STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 4,546,417
Accounts receivable	105,586
Prepaid items	8,135
Due from related party - Local Government Personnel Institute	9,871
Investment in joint venture	1,014,074
Net other postemployment benefit asset	14,212
Capital assets	
Land	56,023
Other capital assets, net	123,783
TOTAL ASSETS	5,878,101
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	964,224
Other postemployment benefit related items	72,335
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,036,559
LIABILITIES	
Accounts payable and accrued liabilities	453,620
Unearned revenue	288,624
Long-term obligations:	
Due within one year	132,244
Due in more than one year	1,962,919
TOTAL LIABILITIES	2,837,407
DEFERRED INFLOWS OF RESOURCES	
Pension related items	190,199
Other postemployment benefit related items	9,255
TOTAL DEFERRED INFLOWS OF RESOURCES	199,454
NET POSITION	
Net investment in capital assets	179,806
Unrestricted	3,697,993
TOTAL NET POSITION	$ 3,877,799

See accompanying notes

LEAGUE OF OREGON CITIES

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Governmental Activities	Totals	Administrative Services	Member Services Direct	Member Services Contractual	Conferences and Workshops
PROGRAM EXPENSES					
Personnel services	$ 2,906,196	$ 1,162,345	$ 1,743,851	$ -	$ -
Materials and services	1,635,548	818,963	446,711	45,791	324,083
Depreciation	23,754	18,306	1,590	1,703	2,155
TOTAL PROGRAM EXPENSES	4,565,498	1,999,614	2,192,152	47,494	326,238
PROGRAM REVENUES					
Charges for services	2,133,671	1,074,468	407,998	229,279	421,926
Operating grants and contributions	2,030,846	1,867,032	163,814	-	-
TOTAL PROGRAM REVENUES	4,164,517	2,941,500	571,812	229,279	421,926
NET PROGRAM (EXPENSE) REVENUE	(400,981)	$ 941,886	$ (1,620,340)	$ 181,785	$ 95,688
GENERAL REVENUES					
Interest	128,419				
Rents	33,281				
(Loss) on joint venture	(21,432)				
Miscellaneous	66,104				
SPECIAL ITEM - Transfer of Operations	(211,320)				
TOTAL GENERAL REVENUES AND SPECIAL ITEMS	(4,948)				
CHANGE IN NET POSITION	(405,929)				
NET POSITION - BEGINNING	4,283,728				
NET POSITION - ENDING	$ 3,877,799				

See accompanying notes

LEAGUE OF OREGON CITIES

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2019

		General
ASSETS		
Cash and cash equivalents	$	4,546,417
Accounts receivable		105,586
Prepaid items		8,135
Due from related party - Local Government Personnel Institute		9,871
TOTAL ASSETS	$	4,670,009
LIABILITIES		
Accounts payable and accrued liabilities	$	453,620
Unearned revenue		288,624
TOTAL LIABILITIES		742,244
FUND BALANCES		
Nonspendable		8,135
Unassigned		3,919,630
TOTAL FUND BALANCES		3,927,765
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$	4,670,009

See accompanying notes

LEAGUE OF OREGON CITIES

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
June 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	$	3,927,765
Amounts reported in the statement of net position are different because:		
The statement of net position reports an asset related to its participation in other postemployment benefit plans for employees of the entity		14,212
Capital assets which are not financial resources and therefore not reported in the funds		179,806
Equity in a joint venture with other governmental entities which is not reported in the funds		1,014,074
The government-wide statements report as a deferred outflow, differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on pension plan investments, differences between employer contributions and employer's proportionate share of system contributions, and contributions made to Oregon Public Employee Retirement System (OPERS) subsequent to the measurement date of June 30, 2018		964,224
The government-wide statements report as a deferred outflow, contributions made subsequent to the measurement date of June 30, 2018 and the net difference between projected and actual earnings related to its participation in other postemployment benefit plans for employees of the entity		72,335
Accumulated compensated absences are not payable in the current period and therefore not reported in the funds		(132,244)
The statement of net position reports a liability for the entity's proportionate share of the net pension liability related to its participation in OPERS		(1,890,503)
The statement of net position reports a liability related to its proportionate share of the net other postemployment benefit liability related to its participation in OPERS		(72,416)
The government-wide statements report a deferred inflow related to change in proportionate share and differences between employer contributions and employer's proportionate share of system contributions related to its participation in OPERS		(190,199)
The government-wide statements report a deferred inflow related to changes in assumptions and investment returns related to participation in other postemployment benefit plans for employees of the entity		(9,255)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	3,877,799

See accompanying notes

LEAGUE OF OREGON CITIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUND For the Year Ended June 30, 2019

	General
REVENUES	
Interest	$ 128,419
Contractual services	464,471
Administrative fees from related parties	1,074,468
Citations	50,361
Membership dues	1,867,032
Grants	45
Miscellaneous	66,104
STP apportionment	163,769
Conferences and workshops	421,926
Member services	122,445
Rents	33,281
TOTAL REVENUES	4,392,321
EXPENDITURES	
Current	
General government	4,372,020
Capital outlay	38,986
TOTAL EXPENDITURES	4,411,006
Net change in fund balances	(18,685)
Fund balances at beginning of year	3,946,450
Fund balances at end of year	$ 3,927,765

See accompaning notes

LEAGUE OF OREGON CITIES

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	$ (18,685)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: Depreciation	(23,754)
The statement of activities includes the current year joint venture (loss) from the League's investment in the Local Government Center Trust	(21,432)
The transfer of operations from the Local Government Personnel Institute to the League resulted in a reduction of net position.	(211,320)
The changes in net pension liability and deferred inflows and outflows related to the entity's participation in OPERS are reported as a reduction in pension expense on the statement of activities	(155,657)
The changes in other post employment benefits liability and deferred inflows and outflows related to the entity's participation in other postemployment benefits plan are reported as a reduction in benefits expense on the statement of activities	16,827
The statement of activities includes the effects of changes in accumulated unpaid compensated absences, whereas governmental funds do not report this item	8,092
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (405,929)

See accompanying notes

LEAGUE OF OREGON CITIES

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

1. Summary of significant accounting policies

A. Reporting entity

The League of Oregon Cities (the League) was formed on January 25, 1925, through the efforts of a group of officials representing various Oregon cities. The League was organized under ORS 190 as a joint venture of local governments. The primary objectives of the League are to conserve and defend home rule powers of Oregon cities, to advocate on behalf of, and to be the authoritative, and best source of information and training for cities.

Control of the League is vested in a sixteen-member board of directors who are elected by League members. The chief administrative officer is the executive director, who reports to the board of directors.

The accompanying basic financial statements present the activities and funds for which the League is considered to be 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. Based upon an evaluation of this criteria, the League is a primary government with no includable component units.

B. Government-wide and fund financial statements

The government-wide financial statements, which include the statement of net position and the statement of activities, report on all of the non-fiduciary activities of the League. The effect of interfund activity has been eliminated from these statements.

The statement of activities demonstrates the degree to which direct expenses of a function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include charges for services provided by a function and contributions from members that are restricted to meeting the operational requirements of a particular function. Other revenues not includable as program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds. Major individual funds are presented as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. The government-wide financial statements also include non-current capital assets and long-term obligation liabilities.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the League, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The League considers items received within 60 days after year end as available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. This presentation conforms with the League's budgetary procedures.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

Individual major governmental funds included in the accompanying basic financial statements are as follows:

Fund	Principal Revenue Source	Primary Expenditure Purpose
General	Membership dues and administrative fees	Administration and program operating expenses

D. 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 Employee Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Other postemployment benefits

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and other postemployment benefits expense, information about the fiduciary net position of the Oregon Public Employee Retirement System Retirement Health Insurance Account (RHIA) and additions to/deductions from the RHIA's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

An actuarial valuation dated July 1, 2018 was completed for purposes of measuring the other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and other postemployment benefits expense for the Employee Benefit Plan for the Employees of the League of Oregon Cities.

1. Summary of significant accounting policies (continued)

F. Deferred outflows / inflows of resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element 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. These include refunded debt charges, pension related items and other postemployment benefit related items.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element represents amounts that apply to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Pension related items and other postemployment benefit related items, which are amortized over specified periods, are reported as deferred inflows of resources.

G. Equity classification

Government-wide statements

Equity is classified on the government-wide financial statements as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other resources that do not meet the definition of “restricted” or “investment in capital assets.”

In the government-wide financial statements, when the League has restricted and unrestricted resources available, it is the League’s policy to expend restricted resources first and then unrestricted resources as needed in determining the amounts to report as restricted – net position and unrestricted – net position.

Governmental fund type fund balance reporting

Governmental type fund balances are reported within one of the fund balance categories below:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

1. Summary of significant accounting policies (continued)

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the League. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board of Directors has granted management authority to assign fund balance amounts.

Unassigned – the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements, when the League has restricted and unrestricted (committed, assigned or unassigned) resources available, it is the League's policy to expend restricted resources first. Unrestricted resources are then expended in the order of committed, assigned, and unassigned as needed, unless otherwise provided for in actions to commit or assign resources, in determining the amounts to be reported in each of the fund balance categories.

H. Land and other capital assets

Land is stated at cost. Equipment and automobiles are stated at cost less accumulated depreciation. Equipment is depreciated over estimated useful lives of 3 to 7 years and automobiles are depreciated over estimated useful lives of 5 years using the straight-line method. The League records capital assets for items with an original cost of $5,000 or more and an expected useful life of one year or more.

I. Investment in joint venture

Investment in the Local Government Center Trust is presented using the equity method of accounting.

J. Compensated absences

i. Sick leave

The League has a policy which permits employees to earn sick leave at the rate of one day per month over their working careers. The League does not compensate employees for accumulations of sick leave upon termination of employment.

ii. Vacation leave

Employees earn vacation leave at rates determined by their length of employment and may accumulate a maximum of 200 hours.

1. Summary of significant accounting policies (continued)

K. Budgetary information and compliance

The League is not required to comply with local budget law for Oregon municipal corporations, as it is organized under Internal Revenue Code 501(c)(4) as a nonprofit corporation and does not directly provide services to the public. The League's management does prepare a budget for planning and control purposes. The budget to actual comparison statements have been included in the supplemental information section of the annual financial report.

L. Tax-exempt status

The League is a tax-exempt organization under the provisions of the Internal Revenue Code Section 501(c)(4) as a nonprofit corporation. The League, as an intergovernmental entity under ORS 190, is a governmental body. Accordingly, it is exempt from federal and state taxes on income derived from operations related to the purposes for which it was organized.

M. Transfer of operations

On June 30, 2018, the Association of Oregon Counties (AOC) and the League entered into an agreement to transfer the operations of the Local Government Personnel Institute (LGPI) to the League effective July 1, 2018. In the agreement, the League is to continue providing the services previously provided by LGPI and, as a result, will recognize all income and expenditures resulting from operations. The agreement stipulates all debts and liabilities incurred by LGPI prior to the transfer date will be equally and jointly paid for by AOC and the League. In previous years, LGPI has incurred losses on operations, and by transferring these operations, the League and LGPI can benefit from sharing overhead administrative costs.

As a result of the transfer, the League recognized the following deferred outflows of resources, liabilities, deferred inflows of resources and net position:

DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	$ 141,249
LIABILITIES	
Net pension liability	219,485
Compensated absences	8,000
TOTAL LIABILITIES	227,485
DEFERRED INFLOWS OF RESOURCES	
Pension related items	125,084
NET POSITION	
Unrestricted	$ (211,320)

The net position transferred of $(211,320) is shown in the current year on the statement of activities as a special item.

2. Cash and cash equivalents

The League's cash and cash equivalents at June 30, 2019 are as follows:

Deposits with financial institutions	$	422,126
State of Oregon Local Government Investment Pool		4,124,291
Total cash and cash equivalents	$	4,546,417

The League maintains a pool of cash and cash equivalents that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and cash equivalents. Interest earned on pooled cash and cash equivalents is allocated to participating funds based upon their combined cash and cash equivalents balances.

A. Deposits with financial institutions

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the League's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the League's deposits with financial institutions up to $250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2019, none of the League's bank balances were exposed to custodial credit risk.

B. State of Oregon Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the League's position in the LGIP is the same as the value of the pool shares.

2. Cash and cash equivalents (continued)

Credit risk: Oregon statutes authorize the League to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

Concentration of Credit Risk: The League does not have a formal policy that places a limit on the amount that may be invested in any one insurer. One hundred percent of the League's investments are in the State of Oregon State and Local Investment Pool.

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

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

3. Capital assets

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

	Balances July 1, 2018	Additions	Deletions	Balances June 30, 2019
Capital assets not being depreciated				
Land	$ 56,023	$ -	$ -	$ 56,023
Capital assets being depreciated				
Automobiles	27,053	-	-	27,053
Furniture and equipment	311,394	-	-	311,394
Total capital assets being depreciated	338,447	-	-	338,447
Less accumulated depreciation for:				
Automobiles	25,701	1,353	-	27,054
Furniture and equipment	165,209	22,401	-	187,610
Total accumulated depreciation	190,910	23,754	-	214,664
Depreciable capital assets, net	147,537	(23,754)	-	123,783
Total capital assets, net	$ 203,560	$ (23,754)	$ -	$ 179,806

For the year ended June 30, 2019, depreciation charged to expense in the statement of activities amounted to $23,754.

3. Capital assets (continued)

Land and printing equipment represent property owned jointly with Oregon School Boards Association and the Association of Oregon Counties. The amount recorded represents only that portion purchased by the League.

4. Equity in joint venture

The Local Government Center Trust (the Trust) was created July 8, 1970. Its members include the League, the Oregon School Boards Association and the Association of Oregon Counties. The financial statements of the Trust are prepared on the accrual basis of accounting. Capital assets are stated at cost, less accumulated depreciation, which is computed on the straight-line method over the estimated useful lives of the assets, from five to thirty-nine years.

The Trust's net assets and member's equity at June 30, 2019 is summarized as follows:

Cash		$ 162,280
Accounts receivable		23,794
Capital assets:		
Land	$ 562,636	
Land improvements	225,043	
Building	3,965,340	
Building improvements	190,174	
Furniture and equipment	124,275	
Work-in-process	65,599	
Less accumulated depreciation	(2,264,545)	
Capital assets, net		2,868,522
Accounts payable and accrued expenses		(11,827)
Total net assets		3,042,769
Less other member's equity:		
Association of Oregon Counties		(781,896)
Oregon School Boards Association		(1,246,799)
League of Oregon Cities equity		$ 1,014,074

The League is not required to make monthly rental payments for occupied space. In lieu of rent, the League pays its proportionate share of amounts assessed by the Trust to cover expenditures. Assessment payments totaling $96,112 were made to the Trust by the General Fund.

The Trust's separate financial statements may be obtained from the League at 1201 Court Street, NE, Salem, Oregon.

5. Long-term liabilities

	Balances July 1, 2018	Transfer of Operations (See Note 1K)	Additions	Reductions	Balances June 30, 2019	Due Within One Year
Net pension liability	$ 1,207,923	$ 219,485	$ 463,095	$ -	$ 1,890,503	$ -
Other postemployment benefit liability	19,434	-	52,982	-	72,416	-
Accumulated compensated absences	132,336	8,000	-	8,092	132,244	132,244
Total long-term liabilities	$ 1,359,693	$ 227,485	$ 516,077	$ 8,092	$ 2,095,163	$ 132,244

6. Defined benefit pension plan

A. Plan description

Employees of the League are provided with pensions through the Oregon Public Employee Retirement Systems (OPERS).

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan. The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the pension plan's fiduciary net position. The report can be found at: www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf.

B. Description of benefit terms

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

<u>Tier One/Tier Two retirement benefit (Chapter 238)</u>

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension benefits

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

6. Defined benefit pension plan (continued

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.

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:

- The member was employed by a OPERS employer at the time of death,
- The member died within 120 days after termination of OPERS-covered employment,
- The member died as a result of injury sustained while employed in a OPERS-covered job, or
- The member was on an official leave of absence from a 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 a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit changes after retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

<u>Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)</u>

Pension benefits

The OPSRP 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.

6. Defined benefit pension plan (continued)

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

Death benefits

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

Disability benefits

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

Benefit changes after retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

C. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation.

Tier One/Tier Two employer contribution rates are 18.66 percent and the OPSRP employer contribution rates are 14.37 percent for general service employees. Employer contributions for the year ended June 30, 2019 were $286,437.

D. Actuarial valuations – Tier One/Tier Two

The December 31, 2015 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

Actuarial cost method

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

6. Defined benefit pension plan (continued)

Unfunded actuarial accrued liability amortization

The Tier One/Tier Two UAL amortization period is reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed 20 year period from the valuation in which they are first recognized.

Retiree healthcare unfunded actuarial accrued liability amortization

The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 10 year period from the valuation in which they are first recognized.

Asset valuation method

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS. Real estate and private equity investments are reported on a three-month lag basis.

Contribution rate stabilization method

Contribution rates are confined to a collar based on the prior contribution rates. The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60 percent or increases above 140 percent, the size of the collar doubles. If the funded percentage excluding side accounts is between 60 percent and 70 percent or between 130 percent and 140 percent, the size of the rate collar is increased on a graded scale.

Allocation of liability for service segments

For active Tier One/Tier Two members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 25 percent based on account balance with each employer and 75 percent based on service with each employer. The entire normal cost is allocated to the current employer.

Allocation of benefits-in-force reserve

The reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

6. Defined benefit pension plan (continued)

Economic assumptions

Investment return	7.50 percent compounded annually
Interest crediting	7.50 percent compounded annually on regular and variable account balances
Inflation	2.50 percent compounded annually
Payroll growth	3.50 percent compounded annually
Healthcare cost trends	Ranges from 6.3 percent in 2016 to 4.4 percent in 2094

Demographic assumptions

Mortality tables	
Healthy retirees	RP 2000, Generational (Scale BB) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Generational (Scale BB), Combined Disabled, No Collar, Sex Distinct Male 70 percent and Female 95 percent of disabled table but not less than the corresponding healthy annuity rates
Non-annuitants	Ranges from 55 percent to 75 percent of healthy retired mortality tables depending upon sex and employment type

Retirement assumptions

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5 percent of the time and a total lump sum elected 2.5 percent for 2016 and declining by 0.5 percent per year until reaching zero.

Salary increase assumptions

Salary increase assumptions, in addition to general payroll growth, include merit increase, unused sick leave and vacation pay adjustments.

E. Actuarial valuations – OPSRP

The December 31, 2015 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

OPSRP unfunded actuarial accrued liability amortization

The UAL as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed period 16 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

6. Defined benefit pension plan (continued)

Economic assumptions

An additional amount for administrative expenses is added to the normal cost.

Retirement assumptions

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5 percent of the time and a total lump sum elected 2.5 percent for 2016 and declining by 0.5 percent per year until reaching zero.

F. Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Net pension liability

At June 30, 2019, the League reported a liability of $1,890,503 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The League's proportion of the net pension liability was based on a projection of the League's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Employers' long-term contribution efforts are based on projected rates that have two major components:

Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier One/Tier Two payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

6. Defined benefit pension plan (continued)

UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.

The UAL has Tier One/Tier Two and OPSRP pieces. The Tier One/Tier Two piece is based on the employer's Tier One/Tier Two pooling arrangement. If an employer participates in one of the two large Tier One/Tier Two rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier One/Tier Two UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier One/Tier Two pooling arrangement, who are referred to as "Independent Employers", have their Tier One/Tier Two UAL tracked separately in the actuarial valuation.

The projected long-term contribution effort is the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2018, the League's proportion was 0.012479655 percent, which was an increase of .003518825 percent from its proportion measured as of June 30, 2017.

Pension expense

For the year ended June 30, 2019, the League recognized pension expense of $442,094.

Deferred inflows of resources and deferred outflows of resources

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Differences between projected and actual earnings

6. Defined benefit pension plan (continued)

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate share are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period.

At June 30, 2019, the League 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	$ 64,310	$ –
Change of assumptions	439,539	–
Net difference between projected and actual earnings on pension plan investments	–	83,949
Changes in proportionate share	105,602	94,254
Difference between contributions and proportionate share of system contributions	68,336	11,996
Contributions subsequent to the measurement date	286,437	–
Total	$ 964,224	$ 190,199

Deferred outflows of resources related to pensions resulting from the League's contributions subsequent to the measurement in the amount of $286,437 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2020	$ 128,741
2021	116,280
2022	103,928
2023	115,004
2024	23,626
Total	$ 487,588

6. Defined benefit pension plan (continued)

G. Actuarial methods and assumptions used in developing total pension liability

The total pension liability measured as of June 30, 2018 was based on an actuarial valuation as of December 31, 2016 using the following methods and assumptions:

Experience study report	2016, published July 26, 2017
Inflation rate	2.5 percent
Long-term expected rate of return	7.2 percent
Discount rate	7.2 percent
Projected salary increases	3.5 percent
	Cost of living adjustments (COLA) blend of 2.00 percent COLA and graded COLA (1.25 percent/.015) in accordance with *Moro* decision; blend based on service
Mortality	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. ***Active members:*** RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. ***Disabled retirees:*** RP-2014 Disabled retirees, sex distinct, generational with Unisex, Social Security Date Scale.

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

Discount rate

The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Defined benefit pension plan (continued)

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuaries 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 forward-looking capital market economic model.

Long-Term Expected Rate of Return Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	3.59 %	3.49 %	4.55 %
Short-Term Bonds	8.00	3.42	3.38	2.70
Bank/Leveraged Loans	3.00	5.34	5.09	7.50
High Yield Bonds	1.00	6.90	6.45	10.00
Large/Mid Cap US Equities	15.75	7.45	6.30	16.25
Small Cap US Equities	1.31	8.49	6.69	20.55
Micro Cap US Equities	1.31	9.01	6.80	22.90
Developed Foreign Equities	13.13	8.21	6.71	18.70
Emerging Market Equities	4.13	10.53	7.45	27.35
Non-US Small Cap Equities	1.88	8.67	7.01	19.75
Private Equity	17.50	11.45	7.82	30.00
Real Estate (Property)	10.00	6.15	5.51	12.00
Real Estate (REITS)	2.50	8.26	6.37	21.00
Hedge Fund of Funds - Diversified	2.50	4.36	4.09	7.80
Hedge Fund - Event-driven	0.63	6.21	5.86	8.90
Timber	1.88	6.37	5.62	13.00
Farmland	1.88	6.90	6.15	13.00
Infrastructure	3.75	7.54	6.60	14.65
Commodities	1.88	5.43	3.84	18.95
Assumed Inflation - Mean			2.50 %	1.85 %

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 7, 2017.

6. Defined benefit pension plan (continued)

Depletion date projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net pension liability	$ 3,159,388	$ 1,890,503	$ 843,143

7. Defined contribution plan

A. Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

B. Pension benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member 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 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.

C. 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.

D. Contributions

The League makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2019 were $120,204.

E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

8. Defined benefit other postemployment benefits plans

<u>Oregon Public Employees Retirement Systems Retirement Health Insurance Account</u>

A. Plan description

The League contributes to the Oregon PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. The RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Contributions are mandatory for each employer that is a member of PERS.

8. Defined benefit other postemployment benefits plans (continued)

The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the plan's fiduciary net position. The report can be found at: www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf.

B. Description of benefit terms

All benefits of the System are established by the legislature pursuant to Oregon Revised Statues Chapters 238 and 238A.

The RHIA is closed to new members hired on or after August 29, 2003.

Other Postemployment Healthcare benefits

Eligible retired members receive a monthly healthcare benefit for life up to $60 toward the monthly cost health insurance.

To be eligible, 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
3) Enroll in a PERS-sponsored health plan

Surviving spouse or dependent benefits

A surviving spouse or dependent of a deceased retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.

C. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The League contributed 0.07 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits and 0.43 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability. For the year ended June 30, 2019, the League made contributions in the amount of $8,703 to the RHIA.

8. Defined benefit other postemployment benefits plans (continued)

D. Actuarial valuations

Except as outlined below, the December 31, 2015 actuarial valuation used the same actuarial methods and valuation procedures to determine contribution rates as the PERS Tier One and Tier Two defined benefit pension plan as discussed in note 6.

Economic assumptions

A healthcare cost trend rate is not utilized in the actuarial valuation as statue stipulates a $60 monthly payment for health insurance.

Retiree healthcare participation assumptions

Eligible retiring members are assumed to elect RHIA coverage 38 percent of the time for health retirees and 20 percent of the time for disabled retirees.

E. Net OPEB (asset), pension expense and deferred outflows of resources and deferred inflows of resources related to other postemployment benefits

Net OPEB (asset)

At June 30, 2019, the League reported an (asset) of $(14,212) for its proportionate share of the net OPEB (asset). The net OPEB (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB (asset) was determined by an actuarial valuation as of that date. The League's proportion of the net OPEB (asset) was based on its actual, legally required contributions made during the fiscal year with the total actual contributions of all employers during the fiscal year.

At June 30, 2018, the League's proportion was 0.01273186 percent, which was a increase of .00024577 percent from its proportion measured as of June 30, 2017.

OPEB expense

For the year ended June 30, 2019, the League recognized a reduction in OPEB expense of $(10,874).

8. Defined benefit other postemployment benefits plans (continued)

Deferred inflows of resources and deferred outflows of resources

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

Difference between expected and actual experience
Changes in assumptions
Changes in employer proportion since the prior measurement date
Differences between projected and actual earnings

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period.

At June 30, 2019, the League reported deferred outflows of resources and deferred inflows of resources related to net other postemployment benefit from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ --	$ 805
Changes of assumptions	--	45
Net difference between projected and actual earnings on OPEB plan investments	--	3,064
Changes in proportionate share	9,578	--
Contributions subsequent to the measurement date	8,703	--
Total	$ 18,281	$ 3,914

Deferred outflows of resources related to OPEB resulting from the League's contributions subsequent to the measurement date in the amount of $8,703 will be recognized as an adjustment to the net OPEB (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ends June 30,	
2020	$ 2,879
2021	2,874
2022	214
2023	(305)
Total	$ 5,664

8. Defined benefit other postemployment benefits plans (continued)

F. Actuarial methods and assumptions used in developing total OPEB liability

Except as identified below, actuarial methods and assumptions used in developing the total OPEB liability are the same as those used to develop the total PERS pension liability as discussed in note 6.

Healthcare cost trend rate

A healthcare cost trend rate is not utilized in the actuarial valuation as statue stipulates a $60 monthly payment to retirees for health insurance.

Depletion date projection

GASB 75 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 (paragraph 82) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS (OPERS):

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

8. Defined benefit other postemployment benefits plans (continued)

H. Sensitivity of the proportionate share of the net OPEB (asset) to changes in the discount rate

The following presents the proportionate share of the net OPEB (asset) calculated using the discount rate of 7.2 percent, as well as what the proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net OPEB liability/(asset)	$ (8,275)	$ (14,212)	$ (19,266)

Employee Benefit Plan for the Employees of the League of Oregon Cities

A. Plan description and benefits provided

The League provides other postemployment benefits (OPEB) for employees, retirees, spouses and dependents through a single employer defined benefit plan in the form of group health insurance benefits. As required by ORS 243.303(2), retirees who were hired after July 1, 2003 are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by the retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 75. The plan does not issue a separate stand-alone financial report.

B. Plan membership

As of June 30, 2019, there were 20 active employees, 1 eligible retirees, and zero spouses of eligible retirees for a total of 21 plan members.

C. Contributions

The League funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The average monthly premium requirements for the League are as follows:

For retirees	$	548
For spouses of retirees		612

D. Total OPEB liability, changes in total OPEB liability, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2019, the League reported a total OPEB liability of $72,416. The total OPEB liability was measured as of June 30, 2018 and determined by an actuarial valuation as of that date.

8. Defined benefit other postemployment benefits plans

Changes in the total OPEB liability is as follows:

	Total OPEB Liability
Balances at June 30, 2018	$ 19,433
Changes for the year:	
Service cost	2,018
Interest	768
Effect of economic/demographic gains or losses	54,890
Changes in assumptions or other inputs	(4,693)
Balances at June 30, 2019	$ 72,416

For the year ended June 30, 2019, the League recognized OPEB expense of $9,136. At June 30, 2019, the League reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 47,668	$ --
Changes of assumptions or inputs	--	5,341
Benefit payments	6,386	--
Total	$ 54,054	$ 5,341

Deferred outflows of resources related to benefit payments in the amount of $6,386 will be recognized as an adjustment to the net OPEB (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ends June 30,	
2020	$ 6,351
2021	6,351
2022	6,351
2023	6,351
2024	6,351
Thereafter	10,572
Total	$ 42,327

8. Defined benefit other postemployment benefits plans (continued)

E. Actuarial valuation

The League's contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. The present value of benefits is allocated over the service for each active employee from their date of hire to their expected retirement age, as a level percent of the employee's pay. This level percent times pay is referred to as the service cost and is that portion of the present value of benefits attributable to an employee's service in a current year. The service cost equals $0 for retired members. The total OPEB liability is the present value of benefits less the actuarial present value of future normal costs and represents the liabilities allocated to service up to the valuation date. For retirees, the total OPEB liability is equal to the present value of benefits.

F. Actuarial methods and assumptions used in developing total OPEB liability

Valuation Date	July 1, 2018
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Projected Salary Increases	3.5 percent
Mortality	Healthy retirees and beneficiaries: RP-2000 white collar male and female set back one year for male, generational per Scale BB for males and females

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.

Discount rate

The discount rate used to measure the total OPEB liability was 3.87 percent. The discount rate is based on the Bond Buyer 20-year General Obligation Bond Index. The discount rate at the prior measurement date was 3.58 percent.

8. Defined benefit other postemployment benefits plans (continued)

Healthcare cost trend rate

The assumed healthcare cost trend for medical and vision costs is as follows:

Year	Pre-65 Trend
2018	6.75%
2019	7.00%
2020	5.50%
2021-2025	5.00%
2026-2029	4.75%
2030-2033	5.00%
2034	5.25%
2035	5.75%
2036-2038	6.00%
2039-2045	5.75%
2046-2050	5.50%
2051-2061	5.25%
2062-2065	5.00%
2066+	4.75%

Dental costs are assumed to increase 4.5 percent in all future years.

Sensitivity of the League's total OPEB liability to changes in the discount and healthcare cost trend rates

The following presents the League's total OPEB liability calculated using the discount rate of 3.87 percent, as well as what the League's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
League's total OPEB liability	$ 77,018	$ 72,416	$ 68,174

	1 Percentage Point Lower	Current Trend Rate	1 Percentage Point Higher
League's total OPEB liability	$ 67,368	$ 72,416	$ 78,259

9. Related party transactions

The League of Oregon Cities Employee Benefit Services Trust (EBST) is a separate entity established to receive insurance premiums from participating members under group insurance programs and to transmit such premiums to the insurers. Administrative services are provided by the League to the EBST for which the League receives an administrative fee. Administrative fees for the year ended June 30, 2019 amounted to $25,014.

The CityCounty Insurance Services (CIS) was formed by the League and the Association of Oregon Counties to aid members in obtaining insurance in the areas of tort liability, property loss and workers' compensation. Administrative services are provided by the League to CIS. Administrative fees for the year ended June 30, 2019 amounted to $1,049,454. The League also pays CIS for insurance which amounted to $57,763 for the year ended June 30, 2019.

The League and the Association of Oregon Counties (AOC) created the Local Government Personnel Institute (LGPI), an ORS 190 joint venture in July 1971. During 2018-19, the LGPI collected monies on behalf of the League. At year end June 30, 2019 LGPI owed the League $9,871.

10. Risk management

The League is exposed to various risks of loss related to errors and omissions, automobile, damage to and destruction of assets, bodily injury, and worker’s compensation. The League is insured through CIS for these risks. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

11. Commitment

Upon the transfer of LGPI operations, the League and AOC equally assumed responsibility for the LGPI building lease until its end in April 2020. As of August 2018, the building had been subleased for the remaining length of the lease for an amount less the lease liability. This net residual lease commitment to be recognized in subsequent years is as follows:

Year ended June 30,	Lease Liability	Sublease Revenue To Be Received	Residual Lease Commitment
2020	$ 69,620	$ 52,167	$ 17,453

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REQUIRED SUPPLEMENTARY INFORMATION

LEAGUE OF OREGON CITIES

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Ten Fiscal Years*

Year Ended June 30,	League's proportion of the net pension liability (asset)	League's proportionate share of the net pension liability (asset)	League's covered payroll	League's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018[1]	0.01247966%	$ 1,890,503	$ 1,665,809	113.49%	82.07%
2017	0.00896083%	1,207,923	1,800,177	67.10%	83.12%
2016	0.01143102%	1,716,062	1,652,369	103.85%	80.53%
2015	0.01390345%	760,659	1,530,349	49.70%	92.00%
2014	0.01468172%	(332,793)	1,516,205	-21.95%	103.59%

(1) Beginning in 2018, one-half of the liability for the Local Government Personnel Institute is included.

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

LEAGUE OF OREGON CITIES

SCHEDULE OF PENSION CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Ten Fiscal Years*

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	League's covered payroll	Contributions as a percent of covered payroll
2019	$ 286,437	$ 286,437	$ -	$ 1,971,368	14.53%
2018	195,882	195,882	-	1,665,809	11.76%
2017	189,963	189,963	-	1,800,177	10.55%
2016	173,493	173,493	-	1,652,369	10.50%
2015	127,322	127,322	-	1,530,349	8.32%
2014	147,732	147,732	-	1,516,205	9.74%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

LEAGUE OF OREGON CITIES

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Ten Plan Years*

Year Ended June 30,	League's proportion of the net OPEB liability (asset)	League's proportionate share of the net OPEB liability (asset)	League's covered payroll	League's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.01273186%	$ (14,212)	$ 1,665,809	-0.85%	123.99%
2017	0.01248609%	(5,208)	1,800,177	-0.29%	108.88%
2016	0.01227827%	3,332	1,652,369	0.20%	80.53%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

LEAGUE OF OREGON CITIES

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Ten Fiscal Years*

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	League's covered payroll	Contributions as a percent of covered payroll
2019	$ 8,703	$ 8,703	$ -	$ 1,971,368	0.44%
2018	6,165	6,165	-	1,665,809	0.37%
2017	7,089	7,089	-	1,800,177	0.39%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

LEAGUE OF OREGON CITIES

SCHEDULE OF CHANGES IN THE LEAGUE'S TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABLITY AND RELATED RATIOS
Last 10 Plan Fiscal Years*

	June 30, 2018	June 30, 2017
Service cost	$ 2,018	$ 2,164
Interest on total OPEB liability	768	617
Effect of economic/demographic gains or losses	54,890	(1,771)
Effect of assumptions changes or inputs	(4,693)	(2,091)
Net change in total OPEB liability	52,983	(1,081)
Total OPEB liability - beginning of year	19,433	20,514
Total OPEB liability - end of year	$ 72,416	$ 19,433
Covered payroll	$ 1,665,809	$ 1,800,177
Total OPEB liability as a percentage of covered payroll	4.3%	1.1%

Notes to schedule

*Information will be accumulated until 10 years are presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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INDIVIDUAL FUND SCHEDULE

LEAGUE OF OREGON CITIES

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget	Actual	Variance
REVENUES			
Administration			
Interest	$ 45,119	$ 128,419	$ 83,300
Contractual services	56,100	56,473	373
Administrative fees from related parties	1,074,895	1,074,468	(427)
Citations	40,000	50,361	10,361
Membership dues	1,863,482	1,867,032	3,550
Rents	9,000	7,639	(1,361)
Miscellaneous	28,250	64,367	36,117
Total Administration	3,116,846	3,248,759	131,913
Member Services			
Contractual services	15,000	21,365	6,365
Workshops	90,242	90,242	-
Web services	4,600	4,500	(100)
Total Member Services	109,842	116,107	6,265
Training			
Workshops	12,000	6,338	(5,662)
Total Training	12,000	6,338	(5,662)
Conferences			
Conferences and workshops	387,000	421,926	34,926
Total Conferences	387,000	421,926	34,926
Transportation			
STP apportionment	168,000	163,769	(4,231)
Total Transportation	168,000	163,769	(4,231)
Special Projects			
Contractual services	250,000	255,651	5,651
Membership dues	125,000	137,412	12,412
Conference	-	14,935	14,935
Grants	150,000	45	(149,955)
Rents	-	25,642	25,642
Miscellaneous	-	1,737	1,737
Total Special Projects	525,000	435,422	(89,578)
TOTAL REVENUES	4,318,688	4,392,321	73,633

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

EXPENDITURES	Budget	Actual	Variance
Administration			
Personnel services	$ 891,260	$ 847,794	$ 43,466
Material and services			
Staff training	15,000	7,799	7,201
Professional dues	45,000	45,253	(253)
Travel	50,000	13,281	36,719
Publications	1,000	125	875
Printing	16,000	13,475	2,525
Audit	25,000	37,935	(12,935)
Insurance	5,750	5,573	177
Citations	40,000	45,791	(5,791)
Local Government Center Trust	90,000	98,672	(8,672)
Repairs and maintenance	2,000	224	1,776
Miscellaneous	3,300	645	2,655
Recruiting	1,000	299	701
Conferences and workshops	42,700	40,050	2,650
Fees	7,300	11,592	(4,292)
City assistance program	7,500	6,037	1,463
Supplies	10,000	12,059	(2,059)
Phones	13,500	12,546	954
Postage	8,500	7,117	1,383
Contractual services	12,500	6,683	5,817
Total materials and services	396,050	365,156	30,894
Total Administration	1,287,310	1,212,950	74,360
Training			
Material and services			
Fees	150	-	150
Phones	1,100	960	140
Training contracts	24,000	5,425	18,575
Printing	-	(1,047)	1,047
Postage	200	66	134
Meetings	3,000	1,944	1,056
Video productions	2,500	-	2,500
Elected essentials	18,000	29,493	(11,493)
Total Training	48,950	36,841	12,109

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

EXPENDITURES (continued)	Budget	Actual	Variance
Conferences			
Materials and services			
Travel	$ 8,000	$ 11,058	$ (3,058)
Conferences and workshops	64,000	38,463	25,537
Postage	2,000	2,545	(545)
Supplies	2,000	866	1,134
Hotel charges	177,000	194,303	(17,303)
Speakers	22,000	18,451	3,549
Decorator	5,500	6,215	(715)
Design	6,000	6,015	(15)
Signage	3,000	1,175	1,825
Printing	2,500	203	2,297
Awards	1,750	287	1,463
Contractual services	14,000	6,000	8,000
Miscellaneous	3,500	4,343	(843)
Equipment rental	37,700	34,159	3,541
Total Conferences	348,950	324,083	24,867
Communications and Marketing			
Personnel services	256,185	266,251	(10,066)
Materials and services			
Staff training	-	270	(270)
Publications	2,800	3,444	(644)
Printing	30,000	26,478	3,522
Marketing	8,500	19,064	(10,564)
Miscellaneous	1,000	1,252	(252)
Conferences and workshops	9,500	10,102	(602)
Professional dues	1,000	-	1,000
Phones	5,400	8,281	(2,881)
Postage	7,500	8,291	(791)
Contractual services	13,500	10,893	2,607
Total materials and services	79,200	88,075	(8,875)
Total Communications and Marketing	335,385	354,326	(18,941)
Board of Directors			
Materials and services			
Travel	12,000	7,474	4,526
Meetings	23,900	26,666	(2,766)
Miscellaneous	1,000	678	322
Conferences and workshops	15,200	3,230	11,970
Total Board of Directors	52,100	38,048	14,052

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

EXPENDITURES (continued)	Budget	Actual	Variance
Technology, Equipment and Furniture			
Materials and services			
Staff training	$ 7,000	$ -	$ 7,000
Contractual services	100,000	96,664	3,336
Building internet	7,600	7,767	(167)
Total materials and services	114,600	104,431	10,169
Capital outlay			
Software	35,000	11,882	23,118
Furniture and equipment	16,000	16,002	(2)
Computer hardware	25,000	11,102	13,898
Total capital outlay	76,000	38,986	37,014
Total Technology, Equipment, Furniture	190,600	143,417	47,183
Intergovernmental Relations			
Personnel services	547,270	552,326	(5,056)
Materials and services			
Phones	4,300	4,200	100
Publications	1,500	7,411	(5,911)
Printing	2,500	1,930	570
Professional dues	2,500	4,864	(2,364)
Conferences and workshops	7,650	3,881	3,769
Contractual services	2,500	3,000	(500)
Intergovernmental	3,000	3,225	(225)
Meetings	2,500	4,866	(2,366)
Grassroots programs	27,500	36,642	(9,142)
Total materials and services	53,950	70,019	(16,069)
Total Intergovernmental Relations	601,220	622,345	(21,125)
Legal/Research			
Personnel services	526,050	427,211	98,839
Materials and services			
Professional dues	15,200	10,359	4,841
Phones	800	730	70
Publications	16,000	12,153	3,847
Conferences and workshops	4,800	3,300	1,500
Contractual services	5,000	19,355	(14,355)
Total materials and services	41,800	45,897	(4,097)
Total Legal/Research	567,850	473,108	94,742
Transportation			
Personnel services	203,455	220,547	(17,092)

Continued on next page

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

EXPENDITURES (continued)	Budget	Actual	Variance
Transportation (continued)			
Materials and services			
Professional dues	$ 2,000	$ 375	$ 1,625
Phones	1,200	1,300	(100)
Postage	500	-	500
Conferences and workshops	5,000	1,000	4,000
Contractual services	2,000	-	2,000
Meetings	200	-	200
Total materials and services	10,900	2,675	8,225
Total Transportation	214,355	223,222	(8,867)
Water			
Personnel services	154,090	152,231	1,859
Materials and services			
Professional dues	1,000	1,400	(400)
Supplies	200	-	200
Phones	1,200	1,200	-
Postage	100	-	100
Printing	150	-	150
Miscellaneous	100	-	100
Conferences and workshops	3,000	599	2,401
Contractual services	5,000	-	5,000
Meetings	500	14	486
Total materials and services	11,250	3,213	8,037
Total Water	165,340	155,444	9,896
Special Projects			
Personnel services	351,070	362,658	(11,588)
Materials and services			
Contractual services	224,000	183,070	40,930
Housing technical assistance grant	150,000	-	150,000
Postage	-	137	(137)
Phones	-	783	(783)
Rents	-	48,466	(48,466)
Miscellaneous	-	301	(301)
Local Government Personnel Institute expense	125,000	65,634	59,366
Total materials and services	499,000	298,391	200,609
Total Special Projects	850,070	661,049	189,021

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

EXPENDITURES (continued)	Budget	Actual	Variance
Building/Equipment			
Materials and services			
Information technology	$ 195,000	$ 166,173	$ 28,827
Vehicle purchase	49,236	-	49,236
Total Building/Equipment	244,236	166,173	78,063
TOTAL EXPENDITURES	4,906,366	4,411,006	495,360
Net change in fund balances	(587,678)	(18,685)	568,993
Fund balance at beginning of year	-	3,946,450	3,946,450
Fund balance at end of year	$ (587,678)	$ 3,927,765	$ 4,515,443

COMPLIANCE SECTION

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1255 Lee Street SE Suite 210 Salem Oregon 97302 | P 503.585.7751 | F 503.370.3781
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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
LEAGUE OF OREGON CITIES
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the League of Oregon Cities as of and for the year ended June 30, 2019, and have issued our report thereon dated January 31, 2020.

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATIONS (Continued)

OAR 162-10-0230 Internal Control

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

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of League of Oregon Cities and the Oregon Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these parties.

By:

Bradley G. Bingenheimer, Member
Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 31, 2020