



FINANCIAL REPORT
June 30, 2021

LEAGUE OF OREGON CITIES
OFFICERS AND MEMBERS OF THE GOVERNING BODY
Year Ended Error! No document variable supplied.

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Vice-President

Tanea Browning, City Councilor, Central Point

Treasurer

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Timm Slater, City Councilor, North Bend

Senior Manager

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Pete Truax, Mayor, Forest Grove

George Endicott, Mayor, Redmond

John McArdle, Mayor, Independence

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

Executive Director/Registered Agent and Registered Address

Patty Mulvihill, Interim Executive Director
1201 Court ST NE, Suite 200
Salem, OR 97301

LEAGUE OF OREGON CITIES
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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 League of Oregon Cities (the "League") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity'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 13 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.

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of League of Oregon Cities as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of the Proportionate Share of the Net Other Postemployment Benefits Liability, Schedule of Other Postemployment Benefits Contributions and Schedule of Changes in the League's Total Other Postemployment Benefit Liability and Related Ratios on pages *a – f* and 37 – 41 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'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.

Board of Directors
League of Oregon Cities
Salem, Oregon
Independent Auditor's Report

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 April 27, 2022 on our consideration of the League's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Singer Lewak LLP

April 27, 2022

By:



Bradley G. Bingenheimer, CPA, Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEAGUE OF OREGON CITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

This section of the annual financial report presents our discussion and analysis of the LOC's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the LOC's financial statements, which follow this section.

LOC's Financial Planning Process

The budget process at the LOC begins much the same as in Oregon's cities. The executive director and the management team 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 amended, if necessary, 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 LOC's executive committee (the president, vice-president, treasurer, immediate past-president, senior city manager) and a city finance director appointed by the past president. The committee is staffed by the executive director and management team. The full committee meets in May, with the final adoption of the budget by the full board in June.

Financial Highlights

The LOC is 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 LOC's fiscal health. As indicated in the report, our revenues exceeded expenditures and our cash position remains stable. Revenues more than expenditures are used to provide future funding to support special projects and capital needs.

Key financial highlights for the year ended June 30, 2021:

The LOC's total net position was \$2,064,155.

Total program revenues, general revenues and special items decreased \$291,321 or -7 percent.

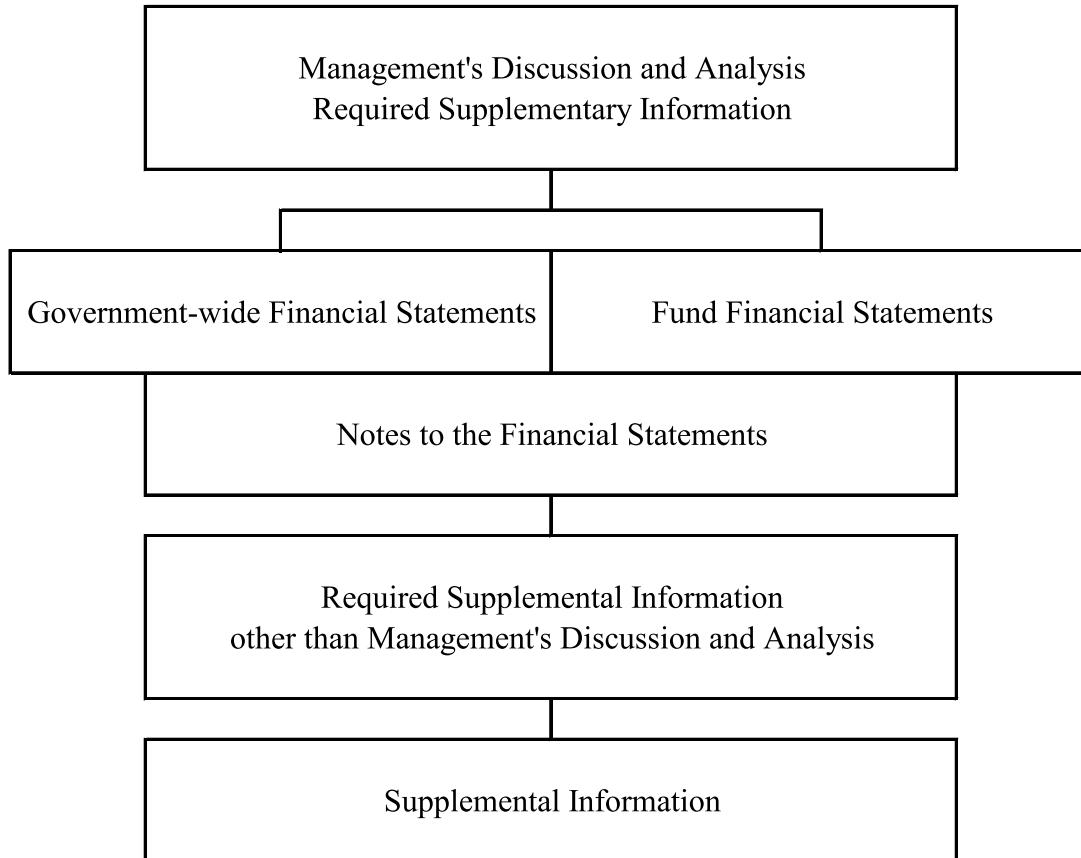
Total program expenses decreased \$526,393 or 10 percent from the prior year.

Total fund balance in all funds shows an increase of \$132,244 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 LOC's financial statements is on LOC as a whole (government-wide) and the LOC'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 LOC's accountability.

Government-Wide Financial Statements

The government-wide financial statements (pages 1 and 2) report information about the LOC, 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 LOC, 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 LOC and includes all the current year's revenues and expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

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

Administrative Services - general administration for LOC 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 LOC's most significant funds. Funds are accounting and budgetary devices that the LOC 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 LOC has only one fund, the General Fund.

Generally accepted accounting principles also allow the LOC 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 LOC'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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental-Wide Financial Statements

Statement of Net Position

The LOC's net position at June 30, 2021 was \$2,064,155, a decrease of \$(870,724) or -30% percent.

	FY 19-20	FY 20-21	Total % Change
Assets			
Current and other assets	\$ 5,239,058	5,462,384	4%
Capital assets	210,710	177,960	-16%
Total assets	5,449,768	5,640,344	3%
Deferred outflows of resources	2,952,486	2,815,451	-5%
Liabilities			
Current and other liabilities	144,345	185,529	29%
Long-term obligations	4,868,917	5,514,780	13%
Total liabilities	5,013,262	5,700,309	14%
Deferred inflows of resources	454,113	691,331	52%
Net Position			
Net investment in capital assets	210,710	177,960	-16%
Restricted	-	-	-
Unrestricted	2,724,169	1,886,195	-31%
Total net position	\$ 2,934,879	\$ 2,064,155	-30%

Statement of Activities

Total program revenues for the LOC's activities were \$4,014,695, a decrease of \$291,321 or -7 percent below the prior year. Total program expenses, including PERS liability estimate allocation changes, were \$4,956,225 or -10 percent less 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 75 percent of program expenses and materials and services accounted for 25 percent of program expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	FY 19-20	FY 20-21	Total % Change
Program Expenses			
Personnel services	\$ 4,095,962	\$ 3,950,526	-4%
Materials and services	1,351,476	972,949	-28%
Depreciation	35,180	32,750	-7%
Total program expenses	5,482,618	4,956,225	-10%
Revenues			
Program revenues			
Charges for services	2,194,615	1,815,780	-17%
Operating grants and contributions	2,111,401	2,198,915	4%
General revenues			
Interest	111,182	39,416	-65%
Rents	10,123	8,800	-13%
Miscellaneous	77,817	(17,889)	-123%
(Loss) from joint venture	34,560	40,479	17%
Special item	-	-	0%
Total revenues	4,539,698	4,085,501	-7%
Change in net position	(942,920)	(870,724)	0%
Prior period adjustment	-	-	0%
Net position – beginning	3,877,799	2,934,879	-24%
Net position - ending	\$ 2,934,879	\$ 2,064,155	3%

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 LOC's Funds

At June 30, 2021, the LOC reported a fund balance for its fund of \$4,101,136, an increase from the beginning of the year.

General Fund

The General Fund realized a net increase of \$132,244 this fiscal year. LOC maintains cash reserves of \$4,101,136. Of this total, the organization policy to hold an emergency reserve of 40% of the total expenses of LOC as a restricted contingency, totaling \$1,969,390 or 48%. The residual cash reserves of \$2,131,746 represent an additional 52% of our total General Fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Budgetary Highlights

The LOC 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, 2021, depreciation on capital assets amounted to \$32,750.

Economic Factors and Next Year's Budget

The financial position of the organization was significantly impacted by the pandemic which occurred during this fiscal year. The impact reflected in this audit served as an opportunity to identify opportunities to refine our business plan moving forward. The LOC recognizes the importance of revenue diversification and is actively using this methodology to reduce reliance on membership dues as our primary funding source.

LOC continues to seek diversification of revenue streams and is important for the resilience and long-term financial health of the organization.

Contacting the LOC's Financial Management

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

BASIC FINANCIAL STATEMENTS

LEAGUE OF OREGON CITIES
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,233,671
Accounts receivable	119,790
Investment in joint venture	1,074,002
Net other postemployment benefit asset	34,921
Capital assets	
Land	56,023
Other capital assets, net	<u>121,937</u>
Total assets	<u>5,640,344</u>
Deferred outflows of resources	
Pension related items	2,752,388
Other postemployment benefit related items	<u>63,063</u>
Total deferred outflows of resources	<u>2,815,451</u>
Liabilities	
Accounts payable and accrued liabilities	185,529
Unearned revenue	66,796
Long-term obligations:	
Due within one year	202,855
Due in more than one year	<u>5,245,129</u>
Total liabilities	<u>5,700,309</u>
Deferred inflows of resources	
Pension related items	680,920
Other postemployment benefit related items	<u>10,411</u>
Total deferred inflows of resources	<u>691,331</u>
Net position	
Net investment in capital assets	177,960
Unrestricted	<u>1,886,195</u>
Total net position	<u><u>\$ 2,064,155</u></u>

LEAGUE OF OREGON CITIES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Governmental Activities	Totals	Administrative Services	Member Services		Conferences and Workshops
			Direct	Contractual	
Program expenses					
Personnel services	\$ 3,950,526	\$ 1,614,156	\$ 2,336,370	\$ -	\$ -
Materials and services	972,949	483,706	59,835	374,090	55,318
Depreciation	<u>32,750</u>	<u>23,077</u>	<u>3,932</u>	<u>2,291</u>	<u>3,450</u>
Total program expenses	<u>4,956,225</u>	<u>2,120,939</u>	<u>2,400,137</u>	<u>376,381</u>	<u>58,768</u>
Program revenues					
Charges for services	1,815,780	1,136,018	-	542,707	137,055
Operating grants and contributions	<u>2,198,915</u>	<u>1,995,671</u>	<u>203,244</u>	<u>-</u>	<u>-</u>
Total program revenues	<u>4,014,695</u>	<u>3,131,689</u>	<u>203,244</u>	<u>542,707</u>	<u>137,055</u>
Net program (expense) revenue	(941,530)	<u>\$ 1,010,750</u>	<u>\$ (2,196,893)</u>	<u>\$ 166,326</u>	<u>\$ 78,287</u>
General revenues					
Interest	39,416				
Rents	8,800				
(Loss) on joint venture	(17,889)				
Miscellaneous	<u>40,479</u>				
Total general revenues	<u>70,806</u>				
Change in net position	(870,724)				
Net position - beginning	<u>2,934,879</u>				
Net position - ending	<u>\$ 2,064,155</u>				

See notes to financial statements

LEAGUE OF OREGON CITIES

BALANCE SHEET GOVERNMENTAL FUND June 30, 2021

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 4,233,671
Accounts receivable	<u>119,790</u>
Total assets	<u>\$ 4,353,461</u>
Liabilities and fund balances	
Liabilities	
Accounts payable and accrued liabilities	\$ 185,529
Unearned revenue	<u>66,796</u>
Total liabilities	<u>252,325</u>
Fund balances	
Unassigned	<u>4,101,136</u>
Total fund balances	<u>4,101,136</u>
Total liabilities and fund balances	<u>\$ 4,353,461</u>

See notes to financial statements

LEAGUE OF OREGON CITIES
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balance - governmental fund	\$ 4,101,136
 <i>Amounts reported in the statement of net position are different because:</i>	
The statement of net position reports an asset for the proportionate share of the net other postemployment benefit liability related to its participation in the Oregon Public Employee Retirement System Retirement Health Insurance Account (RHIA)	34,921
Capital assets which are not financial resources and therefore not reported in the funds	177,960
Equity in a joint venture with other governmental entities which is not reported in the funds	1,074,002
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, 2020	2,752,388
The government-wide statements report as a deferred outflow, contributions made subsequent to the measurement date of June 30, 2020 and the net difference between projected and actual earnings related to its participation in other postemployment benefit plans for employees of the entity	63,063
Accumulated compensated absences are not payable in the current period and therefore not reported in the funds	(202,855)
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	(5,155,805)
The statement of net position reports a liability related to its participation in the other postemployment benefit plans for employees of the entity	(89,324)
The government-wide statements report a deferred inflow related to its participation in the Oregon Public Employee Retirement System	(680,920)
The government-wide statements report a deferred inflow related to its participation in the Oregon Public Employee Retirement System Retirement Health Insurance Account (RHIA) plan and the other postemployment benefit plan for employees of the League	<u>(10,411)</u>
Net position of the governmental activities	<u>\$ 2,064,155</u>

LEAGUE OF OREGON CITIES
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2021

	General
Revenues	
Interest	\$ 39,416
Contractual services	136,131
Administrative fees from related parties	1,136,018
Citations	67,638
Membership dues	1,995,671
Miscellaneous	40,479
STP apportionment	203,244
Conferences and workshops	137,055
Member services	338,938
Rents	8,800
Total revenues	4,103,390
Expenditures	
Current	
General government	3,913,319
Capital outlay	57,827
Total expenditures	3,971,146
Net change in fund balance	132,244
Fund balance at beginning of year	3,968,892
Fund balance at end of year	\$ 4,101,136

LEAGUE OF OREGON CITIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Net change in fund balance - governmental fund	\$ 132,244
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: Depreciation	(32,750)
The statement of activities includes the current year joint venture (loss) from the League's investment in the Local Government Center Trust	(17,889)
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	(917,692)
The changes in other postemployment 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	(3,255)
The statement of activities includes the effects of changes in accumulated unpaid compensated absences, whereas governmental funds do not report this item	<u>(31,382)</u>
Change in net position of the governmental activities	<u>\$ (870,724)</u>

LEAGUE OF OREGON CITIES

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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.

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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting and financial statement presentation (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:

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

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.

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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other postemployment benefits (continued)

An actuarial valuation dated July 1, 2020 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.

Deferred outflows / inflows of resources

In addition to assets, the statement 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 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.

Net position

Government-wide financial 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 “net 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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance

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.

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.

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.

Investment in joint venture

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

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

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.

Vacation leave

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

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.

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.

NOTE 3 – CASH AND CASH EQUIVALENTS

The League's cash and cash equivalents at June 30, 2021 are as follows:

Deposits with financial institutions	\$ 50,605
State of Oregon Local Government Investment Pool	<u>4,183,066</u>
Total cash and cash equivalents	<u>\$ 4,233,671</u>

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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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, 2021, none of the League's bank balances were exposed to custodial credit risk.

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.

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. 100% 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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balances July 1, 2020	Additions	Deletions	Balances June 30, 2021
Capital assets not being depreciated				
Land	\$ 56,023	\$ -	\$ -	\$ 56,023
Capital assets being depreciated				
Automobiles	27,053	-	-	27,053
Furniture and equipment	371,282	-	28,640	342,642
Total capital assets being depreciated	398,335	-	28,640	369,695
Less accumulated depreciation for:				
Automobiles	27,054	-	-	27,054
Furniture and equipment	216,594	32,750	28,640	220,704
Total accumulated depreciation	243,648	32,750	28,640	247,758
Depreciable capital assets, net	154,687	(32,750)	-	121,937
Total capital assets, net	<u>\$ 210,710</u>	<u>\$ (32,750)</u>	<u>\$ -</u>	<u>\$ 177,960</u>

For the year ended June 30, 2021, depreciation charged to expense in the statement of activities amounted to \$32,750.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS (Continued)

Included in land, furniture and equipment are capital assets owned jointly with Oregon School Boards Association and the Association of Oregon Counties. The amount recorded represents only that portion purchased by the League.

NOTE 5 – 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, 2021 is summarized as follows:

Cash	\$	340,091
Accounts receivable		28,389
Capital assets:		
Land	\$	562,636
Land improvements		236,535
Building		4,111,078
Building improvements		383,698
Furniture and equipment		158,411
Less accumulated depreciation		<u>(2,576,528)</u>
Capital assets, net		2,875,830
Accounts payable and accrued expenses		<u>(21,721)</u>
Total net assets		3,222,589
Less other member's equity:		
Association of Oregon Counties		(828,105)
Oregon School Boards Association		<u>(1,320,482)</u>
League of Oregon Cities equity		<u>\$ 1,074,002</u>

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 and reimbursements totaling \$115,745, were made to the Trust.

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

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES

	Balances			Balances	Due Within One
	July 1, 2020	Additions	Reductions		
Net pension liability	\$ 4,623,064	\$ 532,741	\$ -	\$ 5,155,805	\$ -
Other postemployment benefit liability	74,380	14,944	-	89,324	-
Accumulated compensated absences	<u>171,473</u>	<u>202,855</u>	<u>171,473</u>	<u>202,855</u>	<u>202,855</u>
Total long-term liabilities	<u>\$ 4,868,917</u>	<u>\$ 750,540</u>	<u>\$ 171,473</u>	<u>\$ 5,447,984</u>	<u>\$ 202,855</u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN

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/2020-CAFR.pdf.

Description of benefit terms

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

Tier One/Tier Two retirement benefit (Chapter 238)

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% 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.

LEAGUE OF OREGON CITIES NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Description of benefit terms (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.

Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)

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% 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.

LEAGUE OF OREGON CITIES

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)(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% 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% 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.

Contributions

OPERS funding policy provides for periodic member and employer contributions at actuarial determined rates, subject to limits set in statute. 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, 2017 actuarial valuation.

Tier One/Tier Two employer contribution rates are 25.16% and the OPSRP employer contribution rates are 22.19% for general service employees. Employer contributions for the year ended June 30, 2021 were \$442,585.

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

Net pension liability

At June 30, 2021, the League reported a liability of \$5,155,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The League's proportion of the net pension liability was based on a projection of the League's long-term contributions effort to the pension plan relative to the projected contributions effort of all participating employers, actuarially determined. The projected long-term contribution effort is equal to the sum of the present value of future normal costs (PVFNC) and the unfunded actuarial liability (UAL).

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Normal Cost Rate: 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.

UAL Rate: A 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 UAL represents the portion of the projected long-term contribution effort related to past service.

After the employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's supplemental lump-sum payments, known as side accounts, transition surpluses and pre-SLGRP (State and Local Government Rate Pool) surpluses as of the valuation date. Side accounts decrease the employer's projected long-term contribution effort because side accounts are effectively prepaid contributions.

At June 30, 2020, the League's proportion was 0.02362508 percent, which was a decrease of 0.00310153 percent from its proportion measured as of June 30, 2019.

Pension expense

For the year ended June 30, 2021, the League recognized pension expense of \$1,360,277.

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, 2020, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Net differences between projected and actual investment earnings
- Changes in employer proportion since the prior measurement date
- Differences between employer contributions and employer's proportionate share of system contributions
- Contributions subsequent to the measurement date

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

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. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are:

Fiscal Year ended June 30, 2020 - 5.3 years
 Fiscal Year ended June 30, 2019 - 5.2 years
 Fiscal Year ended June 30, 2018 - 5.2 years
 Fiscal Year ended June 30, 2017 - 5.3 years
 Fiscal Year ended June 30, 2016 - 5.3 years
 Fiscal Year ended June 30, 2015 - 5.4 years
 Fiscal Year ended June 30, 2014 - 5.6 years

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 226,918	\$ -
Change of assumptions	276,696	-
Net difference between projected and actual earnings on pension plan investments	606,256	-
Changes in proportionate share	1,169,360	464,653
Difference between contributions and proportionate share of system contributions	30,573	216,267
Contributions subsequent to the measurement date	<u>442,585</u>	<u>-</u>
Total	<u>\$ 2,752,388</u>	<u>\$ 680,920</u>

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Deferred outflows of resources related to pensions resulting from the League’s contributions subsequent to the measurement in the amount of \$442,585 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2022	\$ 470,102
2023	472,660
2024	449,002
2025	210,321
2026	<u>26,798</u>
Total	<u>\$ 1,628,883</u>

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial methods and assumptions used in developing contribution rates and total pension liability

The total pension liability measured as of June 30, 2020 was based on an actuarial valuation as of December 31, 2018 using the following methods and assumptions:

Experience study report	2018, published July 24, 2019
Actuarial cost method	Entry age normal
Inflation rate	2.5%
Long-term expected rate of return	7.2%
Discount rate	7.2%
Administrative expenses – Tier One/Tier Two	\$32.5 million per year added to normal cost
Administrative expenses – OPSRP	\$8 million per year added to normal cost
Projected salary increases	3.5%
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/.015) in accordance with <i>Moro</i> decision; blend based on service
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Health Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial methods and assumptions used in developing contribution rates and total pension liability (continued)

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

UAL amortization

The Tier 1/Tier 2 UAL amortization period was 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 projected combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 20-year period from the valuation in which they are first recognized.

The OPSRP UAL as of December 31, 2007 is amortized as a level percentage of projected combined valuation payroll (Tier 1/ Tier 2 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.

Discount rate

The discount rate used to measure the total pension liability was 7.2%. 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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial methods and assumptions used in developing contribution rates and total pension liability (continued)

Assumed asset allocation

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00%
Debt securities	20.00%
Public equity	32.50%
Private equity	17.50%
Real estate	12.50%
Alternatives portfolio	15.00%
Risk parity	<u>2.50%</u>
Total	<u>100.00%</u>

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial methods and assumptions used in developing contribution rates and total pension liability (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 May 2019 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model.

Long-Term Expected Rate of Return ¹				
Asset Class	Target Allocation	Annual Arithmetic Return ²	20-Year Annualized Geometric Mean	Annual Standard Deviation
Core Fixed Income	9.60 %	4.14 %	4.07 %	3.90 %
Short-Term Bonds	9.60	3.70	3.68	2.10
Bank/Leveraged Loans	3.60	5.40	5.19	6.85
High Yield Bonds	1.20	6.13	5.74	9.35
Large/Mid Cap US Equities	16.17	7.35	6.30	15.50
Small Cap US Equities	1.35	8.35	6.68	19.75
Micro Cap US Equities	1.35	8.86	6.79	22.10
Developed Foreign Equities	13.48	8.30	6.91	17.95
Emerging Market Equities	4.24	10.35	7.69	25.35
Non-US Small Cap Equities	1.93	8.81	7.25	19.10
Private Equity	17.50	11.95	8.33	30.00
Real Estate (Property)	10.00	6.19	5.55	12.00
Real Estate (REITS)	2.50	8.29	6.69	21.00
Hedge Fund of Funds - Diversified	1.50	4.28	4.06	6.90
Hedge Fund - Event-driven	0.38	5.89	5.59	8.10
Timber	1.13	6.36	5.61	13.00
Farmland	1.13	6.87	6.12	13.00
Infrastructure	2.25	7.51	6.67	13.85
Commodities	1.13	5.34	3.79	18.70
Assumed Inflation - Mean			2.50 %	1.65 %

¹ Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of April 24, 2019.

² The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial methods and assumptions used in developing contribution rates and total pension liability (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% 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 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

Changes in actuarial methods and assumptions

Key changes implemented since the December 31, 2017 valuation are:

- Tier 1/Tier 2 UAL Amortization – Senate Bill 20149 was signed into law in June 2019 and requires a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation which will set the actuarially determined contribution rates for the 2021-2023 biennium.
- Administrative Expenses – The administrative expense assumptions were updated to \$32.5 million per year for Tier 1/Tier 2 and \$8.0 million per year for OPSRP. Previously these were assumed to be \$37.5 million per year and \$6.5 million per year, respectively.
- Mortality Tables – The healthy annuitant, active and disabled mortality tables were updated to Pub-2010 from RP-2014 generational tables.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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% 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%) or 1-percentage-point higher (8.2%) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net pension liability	\$ 7,655,945	\$ 5,155,805	\$ 3,059,322

NOTE 8 – DEFINED CONTRIBUTION PLAN

Plan description

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

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.

Death benefits

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

Contributions

The League makes the employee contributions of 6% of covered payroll to the plan. Contributions for the year ended June 30, 2021 were \$101,421.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS

Oregon Public Employees Retirement Systems Retirement Health Insurance Account

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.

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/2020-CAFR.pdf.

Description of benefit terms

All benefits of the System are established by the legislature pursuant to Oregon Revised Statutes 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.

Contributions

OPERS funding policy provides for periodic member and employer contributions at the rates established by the Public Employees Retirement Board, subject to limits set in statute. 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, 2017 actuarial valuation.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Contributions (continued)

The League contributed 0.06% of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. Since the funded status of the RHIA UAL is in excess of 100%, no contributions were required to fund the RHIA UAL. For the year ended June 30, 2021, the League made contributions in the amount of \$116 to the RHIA.

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

Net OPEB liability (asset)

At June 30, 2021, the League reported an asset of \$34,921 for its proportionate share of the net OPEB liability/(asset). The net OPEB liability/(asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The League's proportion of the net OPEB liability/(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, 2020, the League's proportion was 0.01713848 percent, which was an increase of 0.00042034 percent from its proportion measured as of June 30, 2019.

OPEB expense

For the year ended June 30, 2021, the League recognized OPEB income of \$2,351.

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, 2020, 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
- Net difference between projected and actual investment earnings
- Contributions subsequent to the measurement date

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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. Employers are required to recognize OPEB expense based on the balance of the closed period “layers” attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

Fiscal Year ended June 30, 2020 – 2.9 years
 Fiscal Year ended June 30, 2019 – 3.1 years
 Fiscal Year ended June 30, 2018 – 3.3 years
 Fiscal Year ended June 30, 2017 – 3.7 years

Net OPEB liability/(asset), pension expense and deferred outflows of resources and deferred inflows of resources related to other postemployment benefits (continued)

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

At June 30, 2021, 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	\$ –	\$ 3,570
Changes of assumptions	–	1,856
Net difference between projected and actual earnings on pension plan investments	3,884	–
Changes in proportionate share	1,673	1,386
Contributions subsequent to the measurement date	116	–
Total	\$ 5,673	\$ 6,812

Deferred outflows of resources related to OPEB resulting from the League’s contributions subsequent to the measurement date in the amount of \$116 will be recognized as an adjustment to the net OPEB (asset) liability in the year ended June 30, 2022. 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,	
2022	\$ (3,270)
2023	(646)
2024	1,436
2025	1,225
Total	\$ (1,255)

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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 7.

Retiree healthcare participation

Healthy retirees are assumed to participate 32% of the time while disabled retirees are assumed to participate 20% of the time.

Actuarial methods and assumptions used in developing total OPEB liability (continued)

Healthcare cost trend rate

A healthcare cost trend rate is not utilized in the actuarial valuation as statute 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 OPEB 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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Sensitivity of the proportionate share of the net OPEB liability/(asset) to changes in the discount rate

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

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net OPEB liability/(asset)	\$ (28,193)	\$ (34,921)	\$ (40,674)

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

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.

Plan membership

As of June 30, 2020, there were 17 active employees, 1 eligible retirees, and zero spouses of eligible retirees for a total of 18 plan members.

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	\$	763
For spouses of retirees		835

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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, 2021, the League reported a total OPEB liability of \$89,324. The total OPEB liability was measured as of June 30, 2020 and determined by an actuarial valuation as of that date.

Changes in the total OPEB liability is as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2020	\$ 74,380
Changes for the year:	
Service cost	4,283
Interest	2,630
Effect of economic/demographic gains or losses	2,920
Changes in assumptions or other inputs	12,225
Benefit payments	<u>(7,114)</u>
Balances at June 30, 2021	<u>\$ 89,324</u>

For the year ended June 30, 2021, the League recognized OPEB expense of \$15,715.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,715	\$ -
Changes of assumptions or inputs	11,682	3,599
Benefit payments	<u>9,993</u>	<u>-</u>
Total	<u>\$ 57,390</u>	<u>\$ 3,599</u>

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Total OPEB liability, changes in total OPEB liability, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

Deferred outflows of resources related to benefit payments in the amount of \$9,993 will be recognized as an adjustment to the net OPEB (asset) in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ends June 30,	
2022	\$ 8,802
2023	8,802
2024	8,802
2025	9,054
2026	6,420
Thereafter	<u>1,918</u>
Total	<u>\$ 43,798</u>

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.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Actuarial methods and assumptions used in developing total OPEB liability

Valuation Date	July 1, 2020
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Inflation Rate	2.5%
Projected Salary Increases	3.5%
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees
Election and Lapse Rates	40% of eligible employees. 60% of male members and 35% of female members will elect spouse coverage. 5% annual lapse rate

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 2.21%. The discount rate is based on the Bond Buyer 20-year General Obligation Bond Index. The discount rate at the prior measurement date was 3.50%.

Healthcare cost trend rate

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

<u>Year</u>	<u>Pre-65 Trend</u>
2020	3.75%
2021	5.75%
2022	5.25%
2023-2025	5.00%
2026-2040	4.75%
2041-2049	5.00%
2050-2064	4.75%
2065-2067	4.50%
2068-2071	4.25%
2072+	4.00%

Dental costs are assumed to decrease 1.25% for 2020 and increase 4% per year thereafter.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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 2.21%, 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 (1.21%) or 1-percentage-point higher (3.21%) 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	\$ 93,833	\$ 89,324	\$ 85,015
	1 Percentage Point Lower	Current Trend Rate	1 Percentage Point Higher
League's total OPEB liability	\$ 83,268	\$ 89,324	\$ 96,359

Changes since prior valuation

Expected Claims and Premiums was updated to reflect changes in available benefits and premium levels. If applicable, expected retiree and dependent costs were updated to reflect current health cost guidelines.

The health care cost trend was updated to reflect changes in current premium levels as well as future expected economic and regulatory conditions.

The mortality, withdrawal and retirement rates were updated to reflect assumptions used in the Oregon PERS December 31, 2019 actuarial valuation.

The data processing assumptions for missing dates of hire and inconsistent or missing PERS tier information were updated to provide a better approximation for missing or inconsistent data.

NOTE 10 – RELATED PARTY TRANSACTIONS

The City County 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, 2021 amounted to \$1,113,253. The League also pays CIS for insurance which amounted to \$17,150 for the year ended June 30, 2021.

LEAGUE OF OREGON CITIES
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	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
2020 ⁽¹⁾	0.02362508%	\$ 5,155,805	\$ 1,953,511	263.93%	75.80%
2019 ⁽¹⁾	0.02672661%	4,623,064	1,971,368	234.51%	80.23%
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)	Covered payroll	Contributions as a percent of covered payroll
2021	\$ 442,585	\$ 442,585	-	\$ 1,860,036	23.79%
2020	419,151	419,151	-	1,953,511	21.46%
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/(ASSET)
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Ten Plan Years*

<u>Year Ended June 30,</u>	<u>Proportion of the net OPEB liability (asset)</u>	<u>Proportionate share of the net OPEB liability (asset)</u>	<u>Covered employee payroll</u>	<u>Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
2020	0.01713848%	\$ (34,921)	\$ 1,953,511	-1.79%	150.10%
2019	0.01755882%	(33,930)	1,971,368	-1.72%	144.38%
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)	Covered employee payroll	Contributions as a percent of covered payroll
2021	\$ 116	\$ 116	\$ -	\$ 1,860,036	0.01%
2020	1,224	1,224	-	1,953,511	0.06%
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 LIABILITY AND RELATED RATIOS
Last 10 Plan Fiscal Years*

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Service cost	\$ 4,283	\$ 3,819	\$ 2,018
Interest on total OPEB liability	2,630	2,828	768
Effect of economic/demographic gains or losses	2,920	1,703	54,890
Effect of assumptions changes or inputs	12,225	(6,386)	(4,693)
Benefit payments	<u>(7,114)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	14,944	1,964	52,983
Total OPEB liability - beginning of year	<u>74,380</u>	<u>72,416</u>	<u>19,433</u>
Total OPEB liability - end of year	<u>\$ 89,324</u>	<u>\$ 74,380</u>	<u>\$ 72,416</u>
Covered employee payroll	\$ 1,953,511	\$ 1,971,368	\$ 1,665,809
Total OPEB liability as a percentage of covered payroll	4.6%	3.8%	4.3%

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.

INDIVIDUAL FUND SCHEDULE

LEAGUE OF OREGON CITIES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Administration			
Interest	\$ 70,000	\$ 39,416	\$ (30,584)
Contractual services	206,280	136,131	(70,149)
Administrative fees from related parties	1,129,500	1,136,018	6,518
Citations	40,000	67,638	27,638
Membership dues	1,974,500	1,995,671	21,171
Rents	9,000	8,800	(200)
Miscellaneous	46,500	40,479	(6,021)
Total Administration	<u>3,475,780</u>	<u>3,424,153</u>	<u>(51,627)</u>
Member Services			
Contractual services	30,000	217,125	187,125
Workshops	93,500	95,728	2,228
SGR program	-	2,425	2,425
Web services	2,000	1,300	(700)
Total Member Services	<u>125,500</u>	<u>316,578</u>	<u>191,078</u>
Training			
Workshops	15,000	22,360	7,360
Total Training	<u>15,000</u>	<u>22,360</u>	<u>7,360</u>
Conferences			
Conferences and workshops	426,000	137,055	(288,945)
Total Conferences	<u>426,000</u>	<u>137,055</u>	<u>(288,945)</u>
Transportation			
STP apportionment	186,000	203,244	17,244
Total Transportation	<u>186,000</u>	<u>203,244</u>	<u>17,244</u>
Total revenues	<u>4,228,280</u>	<u>4,103,390</u>	<u>(124,890)</u>

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

Expenditures	Budget	Actual	Variance
Personnel and Benefits			
Member/administration services	\$ 757,700	\$ 554,248	\$ 5,419
Communications and marketing	279,500	281,904	2,120
Intergovernmental relations	711,000	804,641	(1,766)
Legal/research salaries	284,000	274,416	18,128
Payroll tax federal and state	162,600	153,135	64
PERS contribution and pickup	610,000	589,348	4,000
Workers compensation	8,500	8,905	1,474
Employee benefits	245,000	289,800	250
Cell phones	19,200	19,700	3,830
Technology stipend	-	13,350	20,076
	<u>3,077,500</u>	<u>2,989,447</u>	<u>53,595</u>
Total personnel and benefits			
Member/administration services			
Payroll expense	7,000	8,750	(1,750)
Staff training	6,000	581	5,419
Membership/dues	3,000	880	2,120
Internal recruiting	1,000	2,766	(1,766)
Small City program	7,500	494	7,006
Contractual services	6,500	40,331	(33,831)
Bank fees	3,000	7,194	(4,194)
Postage	5,000	2,444	2,556
Supplies	10,000	5,667	4,333
Books/publications	250	-	250
Printer/copier lease	10,000	6,170	3,830
Conferences and workshops	27,000	6,924	20,076
Staff travel/in-state	20,000	1,872	18,128
Telephone	12,000	14,226	(2,226)
NLC membership	25,000	24,936	64
Membership/sponsor	15,000	11,000	4,000
Conference calls	2,000	526	1,474
Maintenance - local gov center	110,000	108,164	1,836
Repairs and maintenance - auto	2,000	269	1,731
Audit	25,000	53,530	(28,530)
Insurance	6,000	6,279	(279)
Miscellaneous	1,000	3	997
	<u>304,250</u>	<u>303,006</u>	<u>1,244</u>
Total member/administration			
Board of Directors			
Travel	15,000	1,976	13,024
Board meetings	20,000	231	19,769
Conferences and workshops	10,000	-	10,000
Miscellaneous	1,000	533	467
	<u>46,000</u>	<u>2,740</u>	<u>43,260</u>
Total Board of Directors			

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

Expenditures (continued)	Budget	Actual	Variance
Technology, equipment and furniture			
Contractual services	\$ 40,000	\$ 84,689	\$ (44,689)
Building internet	7,500	927	6,573
Software	20,000	24,201	(4,201)
Furniture and equipment	5,000	678	4,322
Computer hardware	15,000	15,167	(167)
	<u>87,500</u>	<u>125,662</u>	<u>(38,162)</u>
Total technology, equipment and furniture			
Uniform traffic citation			
Uniform traffic citation	<u>38,000</u>	<u>65,008</u>	<u>(27,008)</u>
Training			
Meetings	3,000	-	3,000
Training contracts	15,000	3,588	11,412
Elected essentials	20,000	29,704	(9,704)
Postage	300	-	300
Printing	300	-	300
Cell phones	1,000	960	40
Miscellaneous	230	-	230
	<u>39,830</u>	<u>34,252</u>	<u>5,578</u>
Total training			
Conferences			
Travel	8,000	1,292	6,708
Affiliate workshop	13,500	2,150	11,350
Hotel - banquet	160,000	17,250	142,750
Hotel - lodging	15,000	-	15,000
Speakers	20,000	8,750	11,250
Decorator - pipe and drape	6,500	-	6,500
Design/special printing	7,500	-	7,500
Signage	4,000	-	4,000
Awards	1,000	421	579
AV equipment	35,000	11,319	23,681
AV equipment - hotel	7,500	-	7,500
Contract services	7,500	274	7,226
Bank fees	4,500	(201)	4,701
Postage	1,000	21	979
Supplies	2,500	39	2,461
Printing	1,000	-	1,000
Miscellaneous	1,500	39	1,461
Spring conference	15,000	13,857	1,143
City Day at the Capital	30,000	107	29,893
	<u>341,000</u>	<u>55,318</u>	<u>285,682</u>
Total conferences			

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

Expenditures (continued)	Budget	Actual	Variance
Communications and marketing			
Membership/dues	\$ 1,000	\$ 195	\$ 805
Conferences/workshops	10,000	-	10,000
Contract services	7,500	24,632	(17,132)
Postage	7,500	51	7,449
Books/publications	2,500	3,791	(1,291)
Printing	24,000	2,917	21,083
Marketing	12,500	11,649	851
Miscellaneous	1,000	32	968
Total communications and marketing	<u>66,000</u>	<u>43,267</u>	<u>22,733</u>
Intergovernmental relations			
Membership/dues	5,000	5,455	(455)
Meetings	3,000	849	2,151
Conferences/workshops	18,000	884	17,116
Contract services	5,000	1,590	3,410
Congressional cities conference	7,000	-	7,000
Grass roots program	5,000	-	5,000
Books/publications	1,000	197	803
Printing	2,500	-	2,500
Miscellaneous	500	-	500
Total intergovernmental relations	<u>47,000</u>	<u>8,975</u>	<u>38,025</u>
Legal/research			
Membership/dues	2,000	1,935	65
Conferences/workshops	8,000	7,261	739
Subscription services	7,500	7,129	371
Books/publications	500	283	217
Total legal/research	<u>18,000</u>	<u>16,608</u>	<u>1,392</u>
Special projects			
LGPI expenditures	15,000	11	14,989
Limited duration contract services	120,000	3,905	116,095
Contract services	120,000	113,254	6,746
NLC membership	25,000	126,912	(101,912)
OHCS IGA	135,000	65,000	70,000
Total special projects	<u>415,000</u>	<u>309,082</u>	<u>105,918</u>
Building/equipment			
Technology/information	50,000	17,781	32,219
Total building/equipment	<u>50,000</u>	<u>17,781</u>	<u>32,219</u>
Total expenditures	<u>4,530,080</u>	<u>3,971,146</u>	<u>524,476</u>
Net change in fund balance	(301,800)	132,244	434,044
Fund balance at beginning of year	<u>3,591,026</u>	<u>3,968,892</u>	<u>377,866</u>
Fund balance at end of year	<u>\$ 3,289,226</u>	<u>\$ 4,101,136</u>	<u>\$ 811,910</u>

COMPLIANCE SECTION

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

Board of Directors
League of Oregon Cities
Salem, Oregon

We have audited the basic financial statements of the League of Oregon Cities as of and for the year ended June 30, 2021, and have issued our report thereon dated April 27, 2022. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America.

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).**
- **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.

Board of Directors
League of Oregon Cities
Independent Auditor's Report Required
by Oregon State Regulations

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.

Singer Lewak LLP

April 27, 2022

By:



Bradley G. Bingenheimer, CPA, Partner