



**CITY OF LOWELL
LANE COUNTY, OREGON**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

CITY OF LOWELL

CITY OFFICIALS

June 30, 2019

ELECTED OFFICIALS

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Don Bennett, Mayor 540 Sunridge Lane Lowell, Oregon 97452	Position 1	December 31, 2022
Patricia Jo Angelini 239 S Pioneer Street Lowell, Oregon 97452	Position 2	December 31, 2020
Tim Stratis P.O. Box 432 Lowell, Oregon 97452	Position 3	December 31, 2020
Samantha Dragt P.O. Box 430 Lowell, Oregon 97452	Position 4	December 31, 2022
Gail Harris P.O. Box 328 Lowell, Oregon 97452	Position 5 Council President	December 31, 2020

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Appointed</u>
Jared Cobb	City Administrator	June 30, 2015
Anne Davis	Legal Counsel Attorney at Law	

Mailing Address

City of Lowell
107 East Third Street
P.O. Box 490
Lowell, Oregon 97452
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CITY OF LOWELL

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INDEPENDENT AUDITOR'S REPORT

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
Eugene OR 97401

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the City Council
City of Lowell
Lane County, Oregon

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each minor fund and the aggregate remaining fund Information of the City of Lowell, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with the modified cash basis of accounting described in note 1.

Other Matters

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Management's Discussion and Analysis on pages i-ix is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures to this 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.

The combining statements of remaining aggregate fund information and the budgetary schedules presented as supplementary information on pages 23-44 are for the purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 15, 2020, on our consideration of the City's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

Emerald CPA Group LLP

Eugene, Oregon
January 15, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. This MD&A is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Please read it in conjunction with the City's financial statements, which follow this discussion and analysis.

This discussion and analysis present the highlights of financial activities and the financial position of the City of Lowell. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, debt administration, capital assets, budget changes and variances from the budget, specific issues related to funds and the economic factors affecting the City.

FINANCIAL HIGHLIGHTS

- The City's total Assets as of June 30, 2019 are \$9,607,885, an increase of \$785,751 from the previous year primarily a result of capital acquisitions.
- The City's total Liabilities are \$2,120,813, an increase of \$476,611 from the previous year, primarily as a result of an increase in long-term debt.
- The City's total debt outstanding increased \$466,691 or 29% during the current fiscal year. This increase is the result of debt acquired within the General Fund for the purchase of a new City Hall/Library facility.
- The City's Net Position decreased \$46,035 in governmental activities and increased \$368,070 in business type activities for a combined increase of \$322,035 over the previous year.
- For its governmental activities, the City received \$147,569 in tax revenue, up \$7,262, or 5% over the prior year.
- For its business type activities, the City recognized \$773,835 in program revenue including \$754,992 in charges for services.
- The City's governmental funds reported a combined fund balance of \$533,365, a decrease of \$307,170 from the previous fiscal year. Of the total fund balance reported, \$235,862 is considered nonspendable, restricted, committed or assigned. The remaining \$297,503 is available for spending at the government's discretion.
- The City previously collected all Systems Development Charges (SDC's) within one governmental fund. To prevent co-mingling of funds, the City created a separate fund for each type of SDC: Parks, Transportation and Stormwater continue to be reported as governmental activities, while Water and Sewer SDC's are now reported with their respective enterprise fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other required supplementary information. The City's basic financial statements are comprised of four components:

- Government-wide financial statements
- Fund Financial statements
- Notes to the basic financial statements
- Supplementary information

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

Government-wide financial statements

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

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, fees, and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include the following:

- General Government
- Public Works, Streets
- Infrastructure Systems Development
- Blackberry Jam Festival
- Debt Reserve

The Business-type activities of the City include the following:

- Water Utility
- Sewer Utility

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: Governmental funds and Proprietary funds.

Major funds are defined as the General Fund and any other fund where the assets, liabilities, revenues, or expenditures/expenses exceed 10% of total government fund amounts or 10% of total enterprise fund amounts and 5% of total government and enterprise fund amounts combined. Generally accepted accounting principles require that detailed information about major funds be separately disclosed.

Governmental funds

Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial decisions. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found in the basic financial statements.

The City maintains eight individual governmental funds: two major funds: The General Fund and the Street Fund, and six non-major funds: The Blackberry Jam Fund, Parks Systems Development Charges Fund, Transportation SDC Fund, Storm-water SDC Fund, Equipment Fund, and the Debt Service Fund. Information for major funds is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances, all non-major funds are aggregated in one column.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided in the Supplementary Information section.

Proprietary funds

Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility and sewer utility operations and for reserves for water and sewer utility capital improvements. The water and sewer funds, both of which are considered major funds of the City, are combined with their associated reserve and SDC funds in the basic financial statements.

The City also adopts an annual appropriated budget for all proprietary funds. The proprietary fund financial statements can be found in the Basic Financial Statements. To demonstrate compliance with the budget, budgetary comparison statements have been provided in the Supplementary Information section.

Notes to the basic financial statements

The notes to the basic financial statements contain additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

Other supplementary information

The combining statements and schedules referred to earlier follow the notes in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

One important question asked about the City's finances is, "Is the City better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in net position over time is one indicator of whether the City's financial health is improving or deteriorating. However, there are other non-financial factors that influence the City's fiscal health, such as changes in the economy and changes in the City's tax base, etc. This report includes a comparison to the prior year to assist the reader in determining the status of the City's fiscal standing over time. At the close of the most recent fiscal year, the City's assets exceeded liabilities (net position) by \$7,487,072.

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

CITY OF LOWELL – NET POSITION

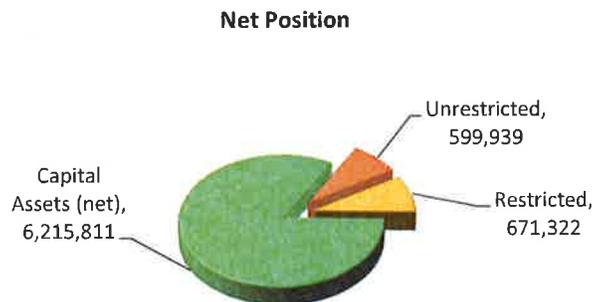
The table below reflects a summary of net position compared to the prior fiscal year, the following notes summarize the major changes to net position.

	Government		Business		Total		Change
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	
Current and other assets	\$ 544,322	\$ 843,012	\$ 771,896	\$ 315,710	\$ 1,316,218	\$ 1,158,722	\$ 157,496
Capital assets	3,861,814	3,083,574	4,429,853	4,579,838	8,291,667	7,663,412	628,255
Total assets	\$ 4,406,136	\$ 3,926,586	\$ 5,201,749	\$ 4,895,548	\$ 9,607,885	\$ 8,822,134	\$ 785,751
Current liabilities	\$ 10,957	\$ 2,477	\$ 34,000	\$ 32,560	\$ 44,957	\$ 35,037	\$ 9,920
Non-current liabilities	530,000	-	1,545,856	1,609,165	2,075,856	1,609,165	466,691
Total liabilities	\$ 540,957	\$ 2,477	\$ 1,579,856	\$ 1,641,725	\$ 2,120,813	\$ 1,644,202	\$ 476,611
Net position:							
Net investment in capital assets	\$ 3,331,814	\$ 3,083,574	\$ 2,883,997	\$ 2,970,673	\$ 6,215,811	\$ 6,054,247	\$ 161,564
Restricted	206,457	552,152	393,482	-	599,939	552,152	47,787
Unrestricted	326,908	275,488	344,414	283,150	671,322	558,638	112,684
Total net position	\$ 3,865,179	\$ 3,911,214	\$ 3,621,893	\$ 3,253,823	\$ 7,487,072	\$ 7,165,037	\$ 322,035

Changes in net position

The entire balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors within the fund they are located. The City's current and other assets equal \$1,316,218, an increase of \$157,496 from the previous year. The City's total non-current liabilities equal \$2,075,856, an increase of \$466,691 over the previous fiscal year.

83% of the City's net position is invested in capital assets (e.g. land, buildings, equipment, and infrastructure, less accumulated depreciation), and reported net of any related debt. The City uses these capital assets to provide services to its citizens, thus, they do not represent resources available for future spending. 8% of the City's net position is restricted and represents cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining 9% is unrestricted, meaning it is available for meeting the City's ongoing obligations. The following chart displays the three components of net position as of June 30th.



CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

CITY OF LOWELL – STATEMENT OF ACTIVITIES

As with the Statement of Net Position, the Statement of Activities reports activities on a consolidated basis. A summary of significant activities follows the table below.

	Government		Business		Total		Change
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	
Revenues:							
Program revenues:							
Charges for service	234,628	79,364	754,992	690,422	989,620	769,786	219,834
Capital grants & contributions	\$ 70,925	\$ -	\$ -	\$ -	\$ 70,925	\$ -	\$ 70,925
Operating grants	128,432	27,649	-	-	128,432	27,649	100,783
Total program revenues	\$ 433,985	\$ 107,013	\$ 754,992	\$ 690,422	\$ 1,188,977	\$ 797,435	\$ 391,542
General revenues:							
Property taxes	\$ 147,569	\$ 140,307	\$ -	\$ -	\$ 147,569	\$ 140,307	\$ 7,262
Franchise & public service taxes	52,206	130,777	-	-	52,206	130,777	(78,571)
Investment earnings	9,833	6,921	5,334	3,265	15,167	10,186	4,981
Other	240,483	61,215	13,539	272	254,022	61,487	192,535
Gain (loss) on sale of asset	-	16,419	(29)	-	(29)	16,419	(16,448)
Total general revenues	450,091	355,639	18,844	3,537	468,935	359,176	109,759
Total revenues:	\$ 884,076	\$ 462,652	\$ 773,836	\$ 693,959	\$ 1,657,912	\$ 1,156,611	\$ 501,301
Expenses:							
General government	\$ 108,152	\$ 118,225	\$ -	\$ -	\$ 108,152	\$ 118,225	\$ (10,073)
Community Development	168,433	42,730	-	-	168,433	42,730	125,703
Culture & recreation	109,413	67,812	-	-	109,413	67,812	41,601
Tourism	7,566	9,695	-	-	7,566	9,695	(2,129)
Public safety	27,300	30,200	-	-	27,300	30,200	(2,900)
Municipal court	11,186	10,294	-	-	11,186	10,294	892
Code Enforcement	11,863	-	-	-	11,863	-	11,863
Highways & streets	134,185	101,427	-	-	134,185	101,427	32,758
Water	-	-	367,124	358,810	367,124	358,810	8,314
Sewer	-	-	390,655	377,194	390,655	377,194	13,461
Total expenses:	578,098	380,383	757,779	736,004	1,335,877	1,116,387	219,490
Increase in net position before transfers	305,978	82,269	16,057	(42,045)	322,035	40,224	281,811
Transfer to or (from) other funds	(352,013)	(19,460)	352,013	19,460	-	-	-
Change in net position	(46,035)	62,809	368,070	(22,585)	322,035	40,224	281,811
Beginning net position	3,911,214	3,848,405	3,253,823	3,276,408	7,165,037	7,124,813	40,224
Ending net position	\$ 3,865,179	\$ 3,911,214	\$ 3,621,893	\$ 3,253,823	\$ 7,487,072	\$ 7,165,037	\$ 322,035

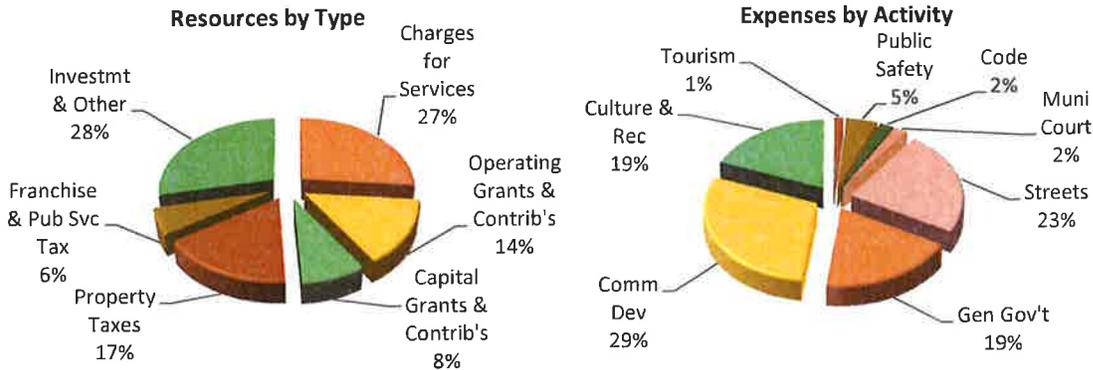
CITY OF LOWELL
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ending June 30, 2019

Governmental Activities

The net position for governmental activities decreased \$46,035 from the prior year. This decrease is mainly the result of the closure of the System Development Charges (SDC) fund and subsequent transfer of the water and sewer balances from governmental activities to business-type activities.

Financial highlights from governmental activities for the year include:

- Governmental revenues were reorganized in the Statement of Activities to better reflect program and general revenues collected.
- Property taxes comprise approximately 18% of governmental resources. For operating purposes, property tax revenues increase \$7,262 over last year, as allowed by statute.
- Charges for services represent 27% of governmental resources which include: Building & electrical permits, land use and other permits and licenses, festival revenue and court fines.
- The major differences to governmental revenue include an increase to building and land use activity of \$137,866 and \$226,263 in litigation proceeds due to faulty construction at the existing City Hall facility.
- Total governmental activity expense increased \$197,715 mainly due to building permit activity.

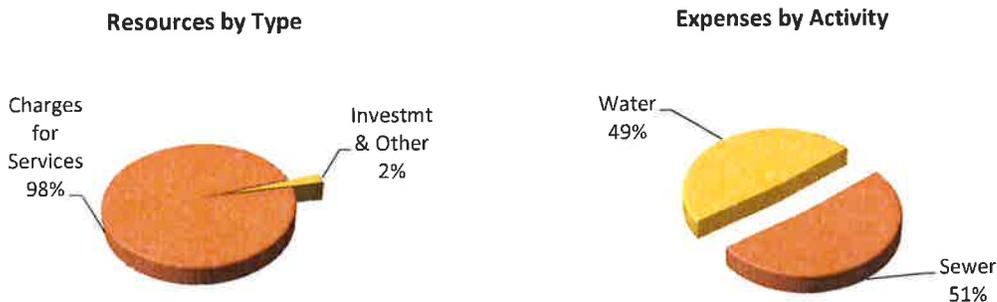


Business Activities

Business-type activities resulted in a \$368,070 increase to net position from the prior year mainly the result of the creation of water and sewer SDC funds and the subsequent transfer of resources from governmental activities.

Key activities during the fiscal year include:

- Charges for services in the water and sewer funds generated the majority of the \$773,836 in revenues for all business-type activities.
- Expenses increased \$21,775 mainly due to an increase in utility costs and maintenance and repairs.



CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

FUND FINANCIAL ANALYSIS

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A summary of the City's fund balances and fund types follows the table below.

	Government		Business		Total		Change
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	
General Fund	\$ 297,503	\$ 225,395	\$ -	\$ -	\$ 297,503	\$ 225,395	\$ 72,108
Street Fund	90,839	126,292	-	-	90,839	126,292	(35,453)
SDC Fund(s)	115,618	397,391	-	-	115,618	397,391	(281,773)
Equipment Fund	174	43,614	-	-	174	43,614	(43,440)
BBJ Festival Fund	16,392	19,374	-	-	16,392	19,374	(2,982)
Debt Service Fund	12,839	28,469	-	-	12,839	28,469	(15,630)
Water Operating Fund	-	-	1,518,214	1,548,912	1,518,214	1,548,912	(30,698)
Water Reserve Fund	-	-	19,692	15,752	19,692	15,752	3,940
Water SDC Fund	-	-	265,465	-	265,465	-	265,465
Sewer Operating fund	-	-	1,682,259	1,682,489	1,682,259	1,682,489	(230)
Sewer Reserve Fund	-	-	8,246	6,670	8,246	6,670	1,576
Sewer SDC Fund	-	-	128,017	-	128,017	-	128,017
Total:	\$ 533,365	\$ 840,535	\$ 3,621,893	\$ 3,253,823	\$ 4,155,258	\$ 4,094,358	\$ 60,900

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$533,365, of which \$297,503 is unassigned fund balance. Of the remaining amount \$206,457 is restricted for streets and systems development and \$29,405 is assigned for equipment, debt service and the Blackberry Jam.

Business-type (Proprietary) funds

The Water and Sewer funds ended the year with a \$368,070 increase in net position, for a combined net position of \$3,621,893.

The Water fund ended the fiscal year with a net position of \$1,803,371, with \$140,328 of that amount unrestricted and the remaining balance restricted for debt service, capital projects (SDC's) or invested (net) in capital assets.

The Sewer fund ended the fiscal year with a net position of \$1,818,522, with \$176,148 of that amount unrestricted and the remaining balance restricted for debt service, capital projects (SDC's) or invested (net) in capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary statement for the General Fund shows the original budget, final budget, actual revenues, expenditures, debt service and transfers for the fiscal year ending June 30, 2019. Three supplemental budgets were approved by Council during the fiscal year. The adjustments include aggregate increases of: \$201,607 to community development to offset an unanticipated increase to building and permit activity, \$381,263 to administration capital outlay for the purchase of a Library/ City Hall facility, and \$375,000 to parks for the purchase of land. Resources for the capital improvements include a loan of \$530,000 and litigation proceeds of \$226,263.

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019 was \$8,291,667 (net of accumulated depreciation). This investment in capital assets includes land, right-of-way, buildings and improvements, improvements other than buildings (such as parks and park improvements), equipment, and infrastructure (streets, water, storm water, and wastewater). Major purchases this year include a new City Hall/Library, parks land and accounting software, as well as a pickup, tractor and trailer for public works.

	Government		Business		Total		Change
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	
Land	\$ 2,595,846	\$ 1,969,035	\$ 92,179	\$ 92,179	\$ 2,688,025	\$ 2,061,214	\$ 626,811
Construction in progress	-	9,005	-	13,508	-	22,513	(22,513)
Buildings	429,325	252,538	116,160	44,347	545,485	296,885	248,600
Infrastructure	1,280,975	1,295,704	8,947,825	9,041,101	10,228,800	10,336,805	(108,005)
Furnishings and equipment	23,187	61,487	138,903	119,545	162,090	181,032	(18,942)
Vehicles and rolling stock	53,717	-	68,130	-	121,847	-	121,847
Total:	4,383,050	3,587,769	9,363,197	9,310,680	13,746,247	12,898,449	847,798
Accum depreciation:	(521,236)	(504,195)	(4,933,344)	(4,730,841)	(5,454,580)	(5,235,036)	(219,544)
Net capital assets:	\$ 3,861,814	\$ 3,083,574	\$ 4,429,853	\$ 4,579,839	\$ 8,291,667	\$ 7,663,413	\$ 628,254

Debt Administration

Governmental debt outstanding of \$530,000 reflects a note payable through Government Capital Corporation for the purchase of a City Hall/Library facility. Business debt outstanding of \$1,545,858 includes notes payable through Business Oregon and United States Department of Agriculture – Rural Utilities Services (USDA RUS) for water and sewer system improvements. None of this debt is paid with general obligation bonds.

During the fiscal year, all scheduled debt service payments were met. Governmental debt service obligations are met using unrestricted general revenues. Business debt service requirements are met using revenue generated by water and sewer utilities, SDC's, reimbursement district assessments and/or applicable existing debt reserve. The overall increase to outstanding debt of \$466,691 reflects a new loan of \$530,000 in the General Fund with a decrease in business debt of \$63,309 from the previous year which reflects principal payment on long-term debt. Of the total debt, \$82,261 is due within one year, and \$1,993,595 is due within more than one year.

	Government		Business		Total		Change
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	
Long term obligations:							
Notes payable:							
Gov't Capital Note	\$ 530,000	\$ -	\$ -	\$ -	\$ 530,000	\$ -	\$ 530,000
Business Oregon (S0006)	-	-	32,312	47,414	32,312	47,414	(15,102)
Business Oregon (J05001)	-	-	122,135	130,246	122,135	130,246	(8,111)
Business Oregon (G02002)	-	-	206,097	224,268	206,097	224,268	(18,171)
USDA RUS (91-03)	-	-	846,781	862,444	846,781	862,444	(15,663)
USDA RUS (92-05)	-	-	338,531	344,793	338,531	344,793	(6,262)
Total obligations:	\$ 530,000	\$ -	\$ 1,545,856	\$ 1,609,165	\$ 2,075,856	\$ 1,609,165	\$ 466,691

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lowell is in a stable financial position and continues to experience a slow growth rate and expansion of its infrastructure. The fiscal year 2019-2020 budget was approved by the City Council on June 18, 2019, in the total amount of \$4,152,662, including \$40,948 in ending fund balances, \$40,237 in inter-fund transfers, \$155,479 in debt service and \$2,382,281 in capital outlay. The budget reflects the City is dedicated to investing in its infrastructure while ensuring that it is able to maintain high quality services to the City.

Property taxes are the primary resource for the General Fund. The City's permanent tax rate is \$2.1613 per \$1,000 of assessed valuation. Taxes from the permanent rate are recorded in the General Fund as discretionary revenues to support General Fund programs such as Police, Municipal Court, Library, Parks and Recreation and Community Development. Property taxes are budgeted at \$142,768 for the 2019-2020 fiscal year.

Franchise fees and privilege taxes are the second largest revenue source for the General Fund, budgeted at \$57,392, and have proven to be largely stable. These fees are charged to various utility companies for use of public right-of-way based upon a percentage of net sales within city limits.

Intergovernmental revenues, budgeted at \$37,485, originate from state and county shared revenues. The state shared revenues include liquor and cigarette excise taxes, state shared revenues and others. The revenues are allocated by various formulas, but utilize a per capita rate. The Street Fund also receives shared revenues from State Highway Street Tax which is budgeted at \$79,288.

Utility rates are reviewed regularly and adjusted by the City Council to ensure charges are sufficient to finance all related operating, capital outlay, debt service expenses, and operating reserves, as such:

- Water rates will increase 3% effective July 1, 2019
- Sewer rates will increase 3% effective July 1, 2019

The personal services budget includes a 5% step increase for employees that receive a satisfactory performance evaluation. Medical benefits are anticipated to increase 6%, and Public Employees Retirement System (PERS) rates are increasing from 11.5% to 17.24%.

Uncertainties about future economic changes and financial impacts are common to all cities. While the local economy may be characterized as stable, significant economic growth is not anticipated for the ensuing fiscal year. The 2018 population estimate is 1,075, an increase of just 0.05%, as provided by the Population Research Center at Portland State University. Revenues are expected to grow slowly at or near the rate of inflation.

REQUESTS FOR INFORMATION

The financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact:

Jared Cobb, City Administrator
City of Lowell
P. O. Box 490
Lowell, OR 97452

BASIC FINANCIAL STATEMENTS

CITY OF LOWELL
Statement of Net Position
Modified Cash Basis
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 544,322	\$ 771,896	\$ 1,316,218
Capital Assets			
Land	2,595,846	92,179	2,688,025
Buildings and improvements	429,325	116,160	545,485
Vehicles and rolling stock	53,717	68,130	121,847
Equipment and Furniture	23,187	138,903	162,090
Infrastructure	1,280,975	8,947,825	10,228,800
Less: Accumulated depreciation	<u>(521,236)</u>	<u>(4,933,344)</u>	<u>(5,454,580)</u>
Net Capital assets	<u>3,861,814</u>	<u>4,429,853</u>	<u>8,291,667</u>
Total Assets	<u>\$ 4,406,136</u>	<u>\$ 5,201,749</u>	<u>\$ 9,607,885</u>
LIABILITIES			
Undistributed court funds	\$ 200	\$ -	\$ 200
Due to other governmental agencies	10,510	-	10,510
Bail held	247	-	247
Utility deposits	-	34,000	34,000
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	17,095	65,167	82,262
Due in more than one year			
Bonds, capital leases and contracts	<u>512,905</u>	<u>1,480,689</u>	<u>1,993,594</u>
Total liabilities	<u>540,957</u>	<u>1,579,856</u>	<u>2,120,813</u>
NET POSITION			
Net investment in capital assets	3,331,814	2,883,997	6,215,811
Restricted for:			
Streets	90,839	-	90,839
Capital projects (SDC funds)	115,618	393,482	509,100
Unrestricted	<u>326,908</u>	<u>344,414</u>	<u>671,322</u>
Total net position	<u>\$ 3,865,179</u>	<u>\$ 3,621,893</u>	<u>\$ 7,487,072</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Activities
Modified Cash Basis
For the Year Ended June 30, 2019

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 108,152	\$ 5,912	\$ 38,690	\$ -	\$ (63,550)	\$ -	\$ (63,550)
Community Development	168,433	175,627	-	-	7,194	-	7,194
Public Safety	27,300	-	-	-	(27,300)	-	(27,300)
Tourism	7,566	-	9,639	-	2,073	-	2,073
Highways and Streets	134,185	24,756	78,103	-	(31,326)	-	(31,326)
Culture and Recreation	109,413	25,587	2,000	70,925	(10,901)	-	(10,901)
Code enforcement	11,863	806	-	-	(11,057)	-	(11,057)
Municipal Court	11,186	1,940	-	-	(9,246)	-	(9,246)
Total governmental activities	<u>578,098</u>	<u>234,628</u>	<u>128,432</u>	<u>70,925</u>	<u>(144,113)</u>	<u>-</u>	<u>(144,113)</u>
Business-type activities:							
Water FD	367,124	391,598	-	-	-	24,474	24,474
Sewer FD	390,655	363,394	-	-	-	(27,261)	(27,261)
Total business-type activities	<u>757,779</u>	<u>754,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,787)</u>	<u>(2,787)</u>
Total primary government	<u>\$ 1,335,877</u>	<u>\$ 989,620</u>	<u>\$ 128,432</u>	<u>\$ 70,925</u>	<u>(144,113)</u>	<u>(2,787)</u>	<u>(146,900)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					147,569	-	147,569
Franchise fees					52,206	-	52,206
Unrestricted investment earnings					9,833	5,334	15,167
Miscellaneous					14,220	13,539	27,759
Litigation proceeds					226,263	-	226,263
Gain (loss) on sale of asset					-	(29)	(29)
Transfers					(352,013)	352,013	-
Total general revenues and transfers					<u>98,078</u>	<u>370,857</u>	<u>468,935</u>
Change in net position					(46,035)	368,070	322,035
Net position - beginning					<u>3,911,214</u>	<u>3,253,823</u>	<u>7,165,037</u>
Net position - ending					<u>\$ 3,865,179</u>	<u>\$ 3,621,893</u>	<u>\$ 7,487,072</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Balance Sheet
Modified Cash Basis
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 308,460	\$ 90,839	\$ 145,023	\$ 544,322
Total assets	<u>\$ 308,460</u>	<u>\$ 90,839</u>	<u>\$ 145,023</u>	<u>\$ 544,322</u>
LIABILITIES, AND FUND BALANCES				
Liabilities:				
Undistributed court funds	200	\$ -	\$ -	\$ 200
Payable to other governments	10,510	-	-	10,510
Bail held	247	-	-	247
Total liabilities	<u>10,957</u>	<u>-</u>	<u>-</u>	<u>10,957</u>
Fund Equity:				
Restricted for				
Streets	-	90,839	-	90,839
Streets SDC	-	-	36,617	36,617
Stormwater SDC	-	-	33,379	33,379
Parks SDC	-	-	45,622	45,622
Assigned for:				
Debt service	-	-	12,839	12,839
Blackberry Jam Festival	-	-	16,392	16,392
Capital projects	-	-	174	174
Unassigned	297,503	-	-	297,503
Total fund balances	<u>297,503</u>	<u>90,839</u>	<u>145,023</u>	<u>533,365</u>
Total liabilities and fund balances	<u>\$ 308,460</u>	<u>\$ 90,839</u>	<u>\$ 145,023</u>	<u>\$ 544,322</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Modified Cash Basis
June 30, 2019

Total fund balance, governmental funds	\$ 533,365
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	3,861,814
Some liabilities, (such as Notes Payable and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(530,000)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 3,865,179</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Modified Cash Basis
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 147,569	\$ -	\$ -	\$ 147,569
Fees and fines	1,940	-	-	1,940
Licenses and permits	176,433	-	-	176,433
Intergovernmental	50,329	78,103	-	128,432
Charges for services	6,251	-	30,282	36,533
Franchise fees	52,206	-	-	52,206
Reimbursement SDC fees	376	2,354	-	2,730
Investment earnings	9,438	153	242	9,833
Miscellaneous	1,170	133	328	1,631
Blackberry Jam Festival receipts	-	-	16,992	16,992
Total revenues	<u>445,712</u>	<u>80,743</u>	<u>47,844</u>	<u>574,299</u>
EXPENDITURES				
Current:				
General government	99,216	-	-	99,216
Parks	73,629	-	-	73,629
Public Safety	27,300	-	-	27,300
Community Development	168,433	-	-	168,433
Library	3,908	-	20,309	24,217
Tourism	7,566	-	-	7,566
Code Enforcement	11,863	-	-	11,863
Municipal Court	11,186	-	-	11,186
Highways and Streets	-	102,188	-	102,188
Capital Outlay	746,546	13,575	-	760,121
Total Expenditures	<u>1,149,647</u>	<u>115,763</u>	<u>20,309</u>	<u>1,285,719</u>
Excess (deficiency) of revenues over expenditures	<u>(703,935)</u>	<u>(35,020)</u>	<u>27,535</u>	<u>(711,420)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	530,000	-	-	530,000
Transfers in	21,780	3,567	95,218	120,565
Transfers out	<u>(2,000)</u>	<u>(4,000)</u>	<u>(466,578)</u>	<u>(472,578)</u>
Total other financing sources and uses	<u>549,780</u>	<u>(433)</u>	<u>(371,360)</u>	<u>177,987</u>
SPECIAL ITEM				
Other source - litigation proceeds	<u>226,263</u>	<u>-</u>	<u>-</u>	<u>226,263</u>
Net change in fund balances	72,108	(35,453)	(343,825)	(307,170)
Fund balances - beginning	<u>225,395</u>	<u>126,292</u>	<u>488,848</u>	<u>840,535</u>
Fund balances - ending	<u>\$ 297,503</u>	<u>\$ 90,839</u>	<u>\$ 145,023</u>	<u>\$ 533,365</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Modified Cash Basis
For the Year Ended June 30, 2019**

Net change in fund balances - total governmental funds: \$ (307,170)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$760,121 exceeded depreciation \$52,498 in the current period. 707,623

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (530,000)

In-kind donation of land recorded in the government wide financial statements 70,925

Rounding 1

Change in net position of governmental activities \$ (46,035)

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Net Position
Proprietary Funds
Modified Cash Basis
June 30, 2019

	Enterprise Funds		
	Water Operating Fund	Sewer Operating Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 459,485	\$ 312,411	\$ 771,896
Total current assets	<u>459,485</u>	<u>312,411</u>	<u>771,896</u>
Non-current assets:			
Capital Assets:			
Land	81,179	11,000	92,179
Buildings and facilities	34,291	81,869	116,160
Vehicles and rolling stock	34,067	34,064	68,131
Equipment and Furniture	105,274	33,629	138,903
Infrastructure	4,238,861	4,708,963	8,947,824
Construction in Progress	-	-	-
Less Accumulated depreciation	<u>(2,175,625)</u>	<u>(2,757,719)</u>	<u>(4,933,344)</u>
Total non-current assets	<u>2,318,047</u>	<u>2,111,806</u>	<u>4,429,853</u>
Total assets	<u>\$ 2,777,532</u>	<u>\$ 2,424,217</u>	<u>\$ 5,201,749</u>
LIABILITIES			
Current Liabilities:			
Utility Deposits	\$ 34,000	\$ -	\$ 34,000
Bonds, notes and loans payable	<u>36,154</u>	<u>29,013</u>	<u>65,167</u>
Total current liabilities	<u>70,154</u>	<u>29,013</u>	<u>99,167</u>
Non-current liabilities:			
Bonds, notes and loans payable	<u>904,007</u>	<u>576,682</u>	<u>1,480,689</u>
Total non-current liabilities	<u>904,007</u>	<u>576,682</u>	<u>1,480,689</u>
Total liabilities	<u>974,161</u>	<u>605,695</u>	<u>1,579,856</u>
NET POSITION			
Net investment in capital assets	1,377,886	1,506,111	2,883,997
Restricted for debt service	19,692	8,246	27,938
Restricted for capital projects (SDC)	265,465	128,017	393,482
Unrestricted	<u>140,328</u>	<u>176,148</u>	<u>316,476</u>
Total net position	<u>\$ 1,803,371</u>	<u>\$ 1,818,522</u>	<u>\$ 3,621,893</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Revenues, Expenses and Changes in Fund Net Position
Modified Cash Basis
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds		
	Water Operating Fund	Sewer Operating Fund	Total
REVENUES			
Charges for services	\$ 391,498	\$ 363,287	\$ 754,785
Miscellaneous	134	108	242
Total operating revenues	<u>391,632</u>	<u>363,395</u>	<u>755,027</u>
OPERATING EXPENSES			
Personal services	133,453	133,446	266,899
Contractual services	13,734	20,433	34,167
Utilities	23,982	40,351	64,333
Repairs and maintenance	22,331	15,570	37,901
Other supplies and expenses	43,416	39,942	83,358
Insurance claims and expenses	5,643	5,643	11,286
Depreciation	95,304	111,851	207,155
Total Operating Expenses	<u>337,863</u>	<u>367,236</u>	<u>705,099</u>
Operating income (loss)	<u>53,769</u>	<u>(3,841)</u>	<u>49,928</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	520	4,814	5,334
Miscellaneous revenue	5,402	8,101	13,503
Interest expense	(29,260)	(23,419)	(52,679)
Total non-operating revenue (expenses)	<u>(23,338)</u>	<u>(10,504)</u>	<u>(33,842)</u>
Income (loss) before contributions and transfers	30,431	(14,345)	16,086
Transfers in	214,243	147,283	361,526
Transfers out	(5,938)	(3,575)	(9,513)
Gain (loss) on sale of land	(29)	-	(29)
Change in net position	<u>238,707</u>	<u>129,363</u>	<u>368,070</u>
Total net position - beginning	<u>1,564,664</u>	<u>1,689,159</u>	<u>3,253,823</u>
Total net position - ending	<u>\$ 1,803,371</u>	<u>\$ 1,818,522</u>	<u>\$ 3,621,893</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Cash Flows - Proprietary Funds
Modified Cash Basis
For the Year Ended June 30, 2019

	Enterprise Funds		
	Water Operating Fund	Sewer Operating Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 392,938	\$ 363,395	\$ 756,333
Miscellaneous operating revenue	134	-	134
Payments to suppliers	(109,106)	(121,939)	(231,045)
Payments to employees	(133,453)	(133,446)	(266,899)
Net cash provided (used) by operating activities	<u>150,513</u>	<u>108,010</u>	<u>258,523</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Other receipts	5,413	8,102	13,515
Non capital financing activities - transfers	<u>208,305</u>	<u>143,708</u>	<u>352,013</u>
Net cash provided (used) by noncapital financing activities	<u>213,718</u>	<u>151,810</u>	<u>365,528</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	-	-	-
Payments on Loans	(34,820)	(28,489)	(63,309)
Purchases of capital assets	(28,607)	(28,604)	(57,211)
Interest paid on capital debts	<u>(29,260)</u>	<u>(23,419)</u>	<u>(52,679)</u>
Net cash provided (used) by capital related financing activities	<u>(92,687)</u>	<u>(80,512)</u>	<u>(173,199)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	<u>520</u>	<u>4,814</u>	<u>5,334</u>
Net cash provided (used) by investing activities	<u>520</u>	<u>4,814</u>	<u>5,334</u>
Net increase (decrease) in cash and cash equivalents	<u>272,064</u>	<u>184,122</u>	<u>456,186</u>
Cash Balances - beginning of the year	<u>187,421</u>	<u>128,289</u>	<u>315,710</u>
Cash Balances - end of the year	<u>\$ 459,485</u>	<u>\$ 312,411</u>	<u>\$ 771,896</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (Loss)	\$ 53,769	\$ (3,841)	\$ 49,928
Adjustments to reconcile operating income:			
Depreciation expense	95,304	111,851	207,155
Change in assets and liabilities:			
Increase (decrease) in deposits	<u>1,440</u>	<u>-</u>	<u>1,440</u>
Net cash provided (used) by operating activities	<u>\$ 150,513</u>	<u>\$ 108,010</u>	<u>\$ 258,523</u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lowell, Oregon, operates under a Council-Manager form of government. The governing body consists of five elected council members, of which one is selected as Mayor by a majority of the Council.

The City of Lowell, Oregon, is a primary government. A primary government is financially accountable for the organizations (component units) that make up its legal entity. The City has considered all organizations for which the City is financially accountable. Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading. The City has determined that there are no component units required to be included in these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the entire City. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. General and other governmental other funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions with a provision for capital assets and depreciation and recognition of long-term debts. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting is specifically allowed under Oregon rules, and the City considers the use of this basis to be an appropriate reflection of the City's financial status and results of operations.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

• *General Fund*

Accounts for all financial sources except for those required to be accounted for in another fund. The principal revenue sources are property taxes, franchise fees and state shared revenues.

• *Street Fund*

Accounts for all receipts for state gasoline taxes and related interest. The monies are expended primarily for the repair and maintenance of City roads, curbs, gutters and sidewalks.

Additionally, the City reports non-major funds within the governmental fund type:

• *Special Revenue Funds*

Primarily operating funds that account for specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities.

• *Capital Projects Funds*

Account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds).

• *Debt Service Fund*

Accounts for resources set aside for payments on current and future debt incurred.

Proprietary funds are used to account for the acquisition, operation, and maintenance of water and sewer systems and facilities. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

Water Fund:

- Water Operating Fund (*Budgetary basis financial statements only*)
- Water Reserve Fund (*Budgetary basis financial statements only*)
- Water SDC Fund (*Budgetary basis financial statements only*)

Sewer Fund:

- Sewer Operating Fund (*Budgetary basis financial statements only*)
- Sewer Reserve Fund (*Budgetary basis financial statements only*)
- Sewer SDC Fund (*Budgetary basis financial statements only*)

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include operating grants and contributions and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund balance reporting and Governmental Fund type Definitions (GASB 54)*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

Non-spendable, such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

D. Assets, Liabilities, and Net Position

Cash and investments

The cash and investments reported on the statement of net position include checking account, state Local Government Investment Pool (LGIP), and petty cash balances. The City invests in the LGIP, which is managed by the State Treasurer's office. These investments are managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer, which may change. Eligible investments are those allowed by Oregon law and are not leveraged and do not contain any derivative products. The City reports the fair value of their position in the pool as the same as the value of the pool shares.

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds."

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as any capital purchase, donation or dedication of land, infrastructure, buildings and/or equipment that exceeds \$5,000 for a single acquisition. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Equipment	10
Buildings	20
Infrastructure	40

Long-term Obligations

General obligation bonds and other revolving loans, issued for sewer and water system construction, are reported as long-term debts in the government-wide financial statements.

Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Compliance

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. Budgets are adopted on the cash-basis of accounting, which is not in conformity with generally accepted accounting principles, but is an acceptable method for Oregon Municipal Corporations under Oregon Local Budget Law. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

2. STEWARDSHIP, COMPLIANCE (Continued)

The budget is prepared by fund, and line item, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not exceed legally budgeted appropriations at the level of programs, or alternatively, materials and services, personal services, capital outlay, debt service, transfers out, or other expenditures for each fund.

Property Taxes

Lane County makes all assessments of property value, and levies and collects the taxes for the City. Assessments of property values are as of January 1 of each year. Real property taxes are levied and attach as an enforceable lien on property on July 1. Taxes are payable in three installments on November 15, February 15, and May 15. A 3% discount is allowed for payment in full on November 15. Property taxes unpaid and outstanding on May 16 are considered to be delinquent.

For the current year the City levied taxes at the rate of 2.1613 per \$1,000 of assessed value within the City limits. Measure 50 establishes the permanent rate and allows for an increase of the assessed value of 3% per year.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

3. CASH AND INVESTMENTS

Cash and investments consist of the following as of June 30, 2019:

Cash in bank	\$ 393,903
Cash on hand	250
Local government investment pool (LGIP)	<u>922,064</u>
Total	<u>\$ 1,316,218</u>

Deposits:

Deposits with financial institutions are comprised of bank demand deposits and a certificate of deposit. Total bank balances of the checking accounts, as shown on the banks' records at year-end were \$1,006,052, The amount in the LGIP was \$409,065. The difference between the bank and book balances was caused by a sizeable transfer in transit between the bank and the LGIP.

Custodial credit risk – deposits: This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. In order to minimize this risk, the State of Oregon established the Public Funds Collateralization Program (PFCP).

PFCP is an application created by the Office of the State Treasurer (OST) to facilitate bank depository, custodian and public official compliance with Oregon Revised Statutes 295 (ORS) effective on July 1, 2008. Requirements described on PFCP for depository banks, custodian banks and local governments are set forth as the following:

Banks are required to report quarterly to the State Treasurer, providing quarter-end public funds balance in excess of the FDIC limits, net worth, and FDIC capitalization information. The FDIC assigns each bank with a capitalization category quarterly, either well capitalized, adequately capitalized or undercapitalized. The PFCP calculates, based on this information, the bank's minimum collateral (maximum liability) that must be pledged with the custodian for the next quarter. The maximum liability is reported to the bank, OST and custodian.

The custodian banks hold the collateral pledged by the banks. OST provides the custodian the maximum liability for each bank. Banks will request security pledges, releases and substitutions through the PFCP. The custodian will process the transactions as approved by OST and maintain an inventory of pledged securities. OST will monitor that adequate collateral is pledged at all times and that all banks comply with the requirements of ORS.

Public officials are required to verify that deposit accounts in excess of deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the OST's web site. Public officials are also required to report at least annually, or within 10 days of a change, the banks they do business with, and contact information for the public official. It is the responsibility of the public official to ensure compliance with these requirements in order to eliminate personal liability in the event of a bank loss.

The City's depository bank was listed on the Treasurer's web site, "Qualified Depositories for Public Fund", throughout the fiscal year.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

3. CASH AND INVESTMENTS (Continued)

Investments: The only investments held by the City at June 30, 2019, were funds in the LGIP, which is part of the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool available for use by all state agencies and eligible local governments. Then LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. The City's investment in the LGIP is carried at cost, which approximates fair value. The State of Oregon's investments policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the state treasury. The OST's investments in short-term securities are limited by the portfolio rules established by the OSTF Board and the Council. In accordance with Oregon statutes, the investments funds are invested, and the investments of those funds managed, as a prudent investor would do – exercising reasonable care, skill, and caution. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments and delivered to and held by a third-party custodian that hold the securities in the State of Oregon's name. The LGIP is not registered with the Securities Exchange Commission and is not rated.

4. CAPITAL ASSETS

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

Governmental activities:	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets:					
Capital assets not being depreciated:					
Land	\$ 1,969,035	\$ 626,811	\$ -	\$ -	\$ 2,595,846
Construction in progress	9,005	-	(9,005)	-	-
Capital assets not being depreciated	<u>1,978,040</u>	<u>626,811</u>	<u>(9,005)</u>	<u>-</u>	<u>2,595,846</u>
Capital assets being depreciated					
Buildings and improvements	252,538	156,017	-	20,770	429,325
Infrastructure	1,295,704	6,041	-	(20,770)	1,280,975
Furnishings and equipment	61,487	18,105	(12,009)	(44,396)	23,187
Vehicles and rolling stock	-	33,079	(23,758)	44,396	53,717
Capital assets being depreciated	<u>1,609,729</u>	<u>213,242</u>	<u>(35,767)</u>	<u>-</u>	<u>1,787,204</u>
Total Capital assets	<u>3,587,769</u>	<u>840,053</u>	<u>(44,772)</u>	<u>-</u>	<u>4,383,050</u>
Accumulated depreciation:					
Buildings	127,689	15,921	-	5,193	148,803
Infrastructure	331,632	32,119	-	(5,193)	358,558
Furnishing and equipment	44,874	905	(11,699)	(28,094)	5,986
Vehicles and rolling stock	-	3,553	(23,758)	28,094	7,889
Total accumulated depreciation	<u>504,195</u>	<u>52,498</u>	<u>(35,457)</u>	<u>-</u>	<u>521,236</u>
Capital assets, net, governmental activities	<u>\$ 3,083,574</u>	<u>\$ 787,555</u>	<u>\$ (9,315)</u>	<u>\$ -</u>	<u>\$ 3,861,814</u>
Governmental activities:					
General government					\$ 8,935
Highways and streets					31,997
Library					250
Culture and recreation					11,316
Total depreciation expense - government activities					<u>\$ 52,498</u>

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

4. CAPITAL ASSETS (Continued)

<i>Business type activities:</i>	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	\$ 92,179	\$ -	\$ -	\$ -	\$ 92,179
Construction in progress	13,508	-	(13,508)	-	-
Capital assets not being depreciated	<u>105,687</u>	<u>-</u>	<u>(13,508)</u>	<u>-</u>	<u>92,179</u>
Capital assets being depreciated:					
Buildings	44,347	-	(987)	72,800	116,160
Infrastructure	9,041,101	-	-	(93,276)	8,947,825
Furniture, fixtures and equipment	119,545	27,157	(3,707)	(4,092)	138,903
Vehicles and rolling stock	-	43,562	-	24,568	68,130
Capital assets being depreciated	<u>9,204,993</u>	<u>70,719</u>	<u>(4,694)</u>	<u>-</u>	<u>9,271,018</u>
Total Capital assets	<u>9,310,680</u>	<u>70,719</u>	<u>(18,202)</u>	<u>-</u>	<u>9,363,197</u>
Accumulated depreciation:					
Buildings	18,707	2,677	(945)	34,850	55,289
Infrastructure	4,607,656	194,627	-	(39,925)	4,762,358
Furniture, fixtures and equipment	104,479	7,672	(3,707)	(19,493)	88,951
Vehicles and rolling stock	-	2,178	-	24,568	26,746
Total accumulated depreciation	<u>4,730,842</u>	<u>207,154</u>	<u>(4,652)</u>	<u>-</u>	<u>4,933,344</u>
Capital assets, net, business type activities	<u>\$ 4,579,838</u>	<u>\$ (136,435)</u>	<u>\$ (13,550)</u>	<u>\$ -</u>	<u>\$ 4,429,853</u>
Business type activities:					
Water					133,425
Sewer					73,729
Total depreciation expense - business-type activities					<u>\$ 207,154</u>

5. LONG-TERM DEBT

SAFE DRINKING WATER REVOLVING LOAN FUND-S0006

On August 7, 2002, the City was granted a Water Drinking Revolving Loan in the amount of \$223,000 from the State of Oregon Economic and Community Development Department (OECD). The loan was the part of total amount of \$868,000 for the Project of Construction of Water System Improvements, which consisted of Oregon Community Development Block Grant (\$645,000) and this loan. The loan agreement requires 20 annual payments and carries an interest rate of 4.59%, and maturity date on December 1, 2020. The balance of the loan at June 30, 2019 was \$32,313.

WASTEWATER PROJECT LOAN-G02002

On December 4, 2002, the City was granted a loan for Phase I of its Water/Wastewater construction project in the amount of \$425,000 from the State of Oregon Economic and Community Development Department (OECD). Proceeds in the amount of \$161,939 were received during the 2002-03 fiscal year, with the remaining loan proceeds of \$263,061 received during the 2003-2004 fiscal year. The loan agreement requires 25 annual payments and carries an interest rate of 5.35%, and maturity date on December 1, 2027. The balance of the loan at June 30, 2019 was \$206,097.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

5. LONG-TERM DEBT (Continued)

PIONEER STREET RELOCATION PROJECT LOAN-J05001

On May 11, 2005, the City was granted a loan for the Pioneer Street Water/Sewer Line Relocation Project in the amount of \$200,000 from the State of Oregon Economic and Community Development Department (OECD). The loan principal is split between the Water and Sewer Funds equally. The loan agreement requires 24 annual payments of \$14,845 beginning December 1, 2006, and carries an interest rate of 5.17%, and maturity date is December 1, 2029. The balance of the loan at June 30, 2019 was \$122,134 apportioned \$61,067 to the water fund and \$61,067 to the sewer fund.

WATER REVENUE LOAN-RUS 91-03

On April 6, 2012, a water revenue loan for capital improvements to the water system including improving the water treatment facility, constructing a water storage reservoir and extending water services in the amount of \$948,000 was entered into with the United States Department of Agriculture, Rural Development Utilities Services (RUS). The loan financed improvements to the water system including capital improvements to the water treatment facility, construction of a water storage reservoir and extending water service lines. The loan agreement requires 40 annual payments of \$39,380 beginning April 6, 2012, carries an interest rate of 2.75% and a maturity date of April 6, 2052. The balance of the loan at June 30, 2019 was \$846,782.

SEWER REVENUE LOAN-RUS 92-05

On April 6, 2012, a sewer revenue loan for capital improvements to the sewer system including extending sewer services in the amount of \$379,000 was entered into with the United States Department of Agriculture, Rural Development Utilities Services (RUS). The loan financed capital improvements to the sewer system including extending sewer service lines. The loan agreement requires 40 annual payments of \$15,744 beginning April 6, 2012, carries an interest rate of 2.75% and a maturity date of April 6, 2052. The balance of the loan at June 30, 2019 was \$338,531.

LIBRARY/ CITY HALL AND ROLLING ROCK PARK IMPROVEMENTS NOTE

On April 25, 2019, the City was secured a note in the amount of \$530,000 from Government Capital Corporation. The note financed the purchase of property intended to be the future home of the City of Lowell Library, temporary location for Lowell City Hall, as well as an expansion of Rolling Rock Park with the addition of three adjacent parcels of property. The terms of the note require 20 annual payments of \$40,346, carries an interest rate of 4.387% and a maturity date of April 25, 2039.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

5. LONG-TERM DEBT (Continued)

The changes in long-term debt were as follows:

	Fund	Balance Beginning	Additions	Repayment	Balance Ending	Due within one year
Governmental activities:						
Government Capital Corporation	General	\$ -	\$ 530,000	\$ -	\$ 530,000	\$ 17,095
Total governmental activities		<u>\$ -</u>	<u>\$ 530,000</u>	<u>\$ -</u>	<u>\$ 530,000</u>	
Business type activities						
Business Oregon (formerly OECDD) Drinking Water (S0006)	Water	\$ 47,413	\$ -	\$ 15,101	\$ 32,312	\$ 15,794
Business Oregon (formerly OECDD) Pioneer St Reloc. (J05001)	Water/Sewer	65,125	-	4,056	61,069	4,266
USDA Water Revenue Loan	Water	<u>862,443</u>	-	<u>15,663</u>	<u>846,780</u>	<u>16,094</u>
Subtotal Water Fund		<u>974,981</u>	-	<u>34,820</u>	<u>940,161</u>	<u>36,154</u>
Business Oregon (formerly OECDD) Wastewater (G2002)	Sewer	224,268	-	18,171	206,097	18,313
Business Oregon (formerly OECDD) Pioneer St Reloc. (J05001)	Sewer	65,123	-	4,056	61,067	4,266
USDA Sewer Revenue Loan	Water/Sewer	<u>344,793</u>	-	<u>6,262</u>	<u>338,531</u>	<u>6,434</u>
Subtotal Sewer Fund		<u>634,184</u>	-	<u>28,489</u>	<u>605,695</u>	<u>29,013</u>
Total Enterprise Funds		<u>\$ 1,609,165</u>	<u>\$ -</u>	<u>\$ 63,309</u>	<u>\$ 1,545,856</u>	<u>\$ 65,167</u>

Long-term debt service requirements are as follows:

Governmental activities:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 17,095	\$ 23,251	\$ 40,346
2021	17,845	22,501	40,346
2022	18,628	21,718	40,346
2023	19,445	20,901	40,346
2024	20,298	20,048	40,346
2025-2029	115,657	86,075	201,732
2030-2034	143,352	58,380	201,732
2035-2039	177,680	24,053	201,733
Total	<u>\$ 530,000</u>	<u>\$ 276,927</u>	<u>\$ 806,927</u>

Business type activities:

Year Ending June 30,	Principal	Interest	Total
2020	65,166	50,147	115,313
2021	67,104	47,519	114,623
2022	51,847	44,792	96,639
2023	58,162	42,765	100,927
2024	59,527	40,450	99,977
2025-2029	300,059	165,320	465,379
2030-2034	170,078	120,247	290,325
2035-2039	178,773	96,847	275,620
2040-2044	204,743	70,877	275,620
2045-2049	234,487	41,133	275,620
2050-2054	155,910	8,630	164,540
Total	<u>\$ 1,545,856</u>	<u>\$ 728,727</u>	<u>\$ 2,274,583</u>

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

6. INTERFUND BALANCES AND TRANSFERS

The Operating transfers for the year are as follows:

Description	Transfer Out	Transfer In	Net Transfers
General Fund	\$ 2,000	\$ 21,780	\$ (19,780)
Parks SDC Fund	-	37,691	(37,691)
Street Fund	4,000	3,567	433
Streets SDC Fund	-	23,187	(23,187)
Stormwater SDC Fund	-	24,340	(24,340)
Equipment Fund	53,442	10,000	43,442
SDC Fund	397,391	-	397,391
Debt reserve fund	15,745	-	15,745
Total Governmental Funds	<u>472,578</u>	<u>120,565</u>	<u>352,013</u>
Water Fund	5,938	14,050	(8,112)
Water Reserve Fund	-	3,938	(3,938)
Water Sdc Fund	-	196,255	(196,255)
Sewer Fund	3,575	29,791	(26,216)
Sewer Reserve Fund	-	1,575	(1,575)
Sewer SDC Fund	-	115,917	(115,917)
Total business type funds	<u>9,513</u>	<u>361,526</u>	<u>(352,013)</u>
Total Transfers	<u>\$ 482,091</u>	<u>\$ 482,091</u>	<u>\$ -</u>

Interfund transfers are used to contribute toward the cost of future improvements, provide funds for debt service and to provide operational resources.

7. PENSION PLAN

A. Plan Description

The City contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan member and beneficiaries. The Oregon Public Employees Retirement Fund ("OPERF") applies to the City's contribution for qualifying employees who were hired before August 29, 2003. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

PENSION PLAN (Continued)

pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member's contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report for the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.state.or.us.

B. Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for all the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and OPSRP rates in effect for the year ended June 30, 2019 were 19.33% and 11.50% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

C. Annual Pension Cost

Employer contributions are calculated in conformance with the provisions of GASB Statement No. 27 as a percentage of covered payroll. Therefore, the contributions transmitted to the System are equal to the Annual Required Contribution (ARC), and there is no Net Pension Obligation (NPO) necessary to amortize any unmade contributions.

For the year ended June 30, 2019, the City's annual pension cost of \$29,626 was equal to the required and actual contributions of the City. The required contribution was determined as part of the December 31, 2015, actuarial valuation using the entry age actuarial normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.2% per year, (b) projected salary increases of 4.5% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, (c) projected automatic cost-of-living benefit increases of 2.0% per year, and (d) CPI increases of 3.5% per year, and (e) demographic assumptions that were chosen to reflect the best estimate of emerging experience of the members of the System.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

7. PENSION PLAN (Continued)

D. Three-year Trend Information

Three-year trend information for the City of Lowell is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/17	\$27,309	100%	\$0
06/30/18	\$22,340	100%	\$0
06/30/19	\$29,626	100%	\$0

8. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although management expects such amounts, if any, to be immaterial. Management believes that there are no liabilities that could result from pending suits, judgments or claims where the amount in excess of insurance coverage would be material to the financial statements.

9. RISK MANAGEMENT

The City is operated under various risks and the City participates in various insurance programs to hedge against those risks. The insurance coverage includes general and auto liability, property/mobile equipment, boiler & machinery, excess earthquake, excess crime and others. There have been no losses in excess of insurance coverage for the past three years.

10. SYSTEM DEVELOPMENT CHARGES (SDC) FUNDS

In prior years, the City used the Systems Development Charges (SDC) Fund to accumulate and account for the collection of SDC's for parks, transportation, stormwater, water and sewer systems development and related improvements. The funding sources were receipts for SDC's, as provided for by city ordinance, and related interest. At the end of each year, the fund balances were reconciled by the type of SDC collected, interest allocated, and net of any related expenditure by SDC type.

The City created five new funds within the budget for the year ending June 30, 2019:

- Transportation Systems Development Fund
- Parks Systems Development Fund
- Stormwater Systems Development Fund
- Water Systems Development Fund
- Sewer Systems Development Fund

These funds were created in order to separate and to prevent co-mingling of funds collected for systems development. Budgeted transfers were made during the fiscal year and the originating

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

10. SYSTEM DEVELOPMENT CHARGES (SDC) FUNDS (Continued)

Systems Development Charges Fund was closed as of June 30th.

11. LITIGATION

During the 2019 fiscal year, the City settled litigation related to City Hall and Library improvements that caused water damage to the facility. Damages in the amount of \$226,263 were awarded to the City. The Council determined that it would not be feasible to repair the existing facility and designated the proceeds be used on a capital improvement via Resolution 708. Settlement proceeds were used along with a loan to acquire a new City Hall/ Library facility and several tax lots surrounding Rolling Rock Park.

SUPPLEMENTARY INFORMATION

CITY OF LOWELL
Combining Balance Sheet
Other Governmental Funds
Modified Cash Basis
June 30, 2019

	Blackberry Jam Festival Fund	Equipment Fund	SDC Fund	Debt Reserve Fund	Parks SDC Fund	Streets SDC Fund	Stormwater SDC Fund	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 16,392	\$ 174	\$ -	\$ 12,839	45,622	36,617	33,379	\$ 145,023
Total assets	<u>\$ 16,392</u>	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ 12,839</u>	<u>\$ 45,622</u>	<u>\$ 36,617</u>	<u>\$ 33,379</u>	<u>\$ 145,023</u>
Fund balances:								
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 45,622	\$ 36,617	\$ 33,379	\$ 115,618
Assigned	16,392	174	-	12,839	-	-	-	29,405
Total fund balances	<u>16,392</u>	<u>174</u>	<u>-</u>	<u>12,839</u>	<u>45,622</u>	<u>36,617</u>	<u>33,379</u>	<u>145,023</u>
Total liabilities and fund balances	<u>\$ 16,392</u>	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ 12,839</u>	<u>\$ 45,622</u>	<u>\$ 36,617</u>	<u>\$ 33,379</u>	<u>\$ 145,023</u>

CITY OF LOWELL
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
Modified Cash Basis
For the Year Ended June 30, 2019

	Blackberry Jam Festival Fund	Equipment Fund	SDC Fund	Debt Reserve Fund	Parks SDC Fund	Streets SDC Fund	Stormwater SDC Fund	Total-Other Governmental Funds
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 7,880	\$ 13,397	\$ 9,005	\$ 30,282
Investment earnings	7	2	-	115	51	33	34	242
Miscellaneous	328	-	-	-	-	-	-	328
Blackberry Jam Festival receipts	16,992	-	-	-	-	-	-	16,992
Total revenues	<u>17,327</u>	<u>2</u>	<u>-</u>	<u>115</u>	<u>7,931</u>	<u>13,430</u>	<u>9,039</u>	<u>47,844</u>
EXPENDITURES								
Current:								
Culture and recreation	20,309	-	-	-	-	-	-	20,309
Total Expenditures	<u>20,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,309</u>
Excess (deficiency) of revenues over expenditures	<u>(2,982)</u>	<u>2</u>	<u>-</u>	<u>115</u>	<u>7,931</u>	<u>13,430</u>	<u>9,039</u>	<u>27,535</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	10,000	-	-	37,691	23,187	24,340	95,218
Transfers out	-	(53,442)	(397,391)	(15,745)	-	-	-	(466,578)
Total other financing sources and uses	<u>-</u>	<u>(43,442)</u>	<u>(397,391)</u>	<u>(15,745)</u>	<u>37,691</u>	<u>23,187</u>	<u>24,340</u>	<u>(371,360)</u>
Net change in fund balances	<u>(2,982)</u>	<u>(43,440)</u>	<u>(397,391)</u>	<u>(15,630)</u>	<u>45,622</u>	<u>36,617</u>	<u>33,379</u>	<u>(343,825)</u>
Fund balances - beginning	19,374	43,614	397,391	28,469	-	-	-	488,848
Fund balances - ending	<u>\$ 16,392</u>	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ 12,839</u>	<u>\$ 45,622</u>	<u>\$ 36,617</u>	<u>\$ 33,379</u>	<u>\$ 145,023</u>

CITY OF LOWELL
Combining Balance Sheet Water Funds
Modified Cash Basis
June 30, 2019

	<u>Water Operating Fund</u>	<u>Water Reserve Fund</u>	<u>Water SDC Fund</u>	<u>Total Water Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 174,328	\$ 19,692	\$ 265,465	\$ 459,485
Total current assets	<u>174,328</u>	<u>19,692</u>	<u>265,465</u>	<u>459,485</u>
Non-current assets:				
Capital Assets:				
Land	81,179	-	-	81,179
Buildings and facilities	34,291	-	-	34,291
Vehicles and rolling stock	34,067	-	-	34,067
Equipment and furnishings	105,274	-	-	105,274
Infrastructure	4,238,861	-	-	4,238,861
Less Accumulated depreciation	<u>(2,175,625)</u>	<u>-</u>	<u>-</u>	<u>(2,175,625)</u>
Total non-current assets	<u>2,318,047</u>	<u>-</u>	<u>-</u>	<u>2,318,047</u>
Total assets	<u>\$ 2,492,375</u>	<u>\$ 19,692</u>	<u>\$ 265,465</u>	<u>\$ 2,777,532</u>
LIABILITIES				
Current Liabilities:				
Utility Deposits	\$ 34,000	\$ -	\$ -	\$ 34,000
Bonds, notes and loans payable	<u>36,154</u>	<u>-</u>	<u>-</u>	<u>36,154</u>
Total current liabilities	<u>70,154</u>	<u>-</u>	<u>-</u>	<u>70,154</u>
Non-current liabilities:				
Bonds, notes and loans payable	<u>904,007</u>	<u>-</u>	<u>-</u>	<u>904,007</u>
Total non-current liabilities	<u>904,007</u>	<u>-</u>	<u>-</u>	<u>904,007</u>
Total liabilities	<u>974,161</u>	<u>-</u>	<u>-</u>	<u>974,161</u>
NET POSITION				
Net investment in capital assets	1,377,886	-	-	1,377,886
Restricted for debt service	-	19,692	-	19,692
Restricted for capital projects (SDC)	-	-	265,465	265,465
Unrestricted	<u>140,328</u>	<u>-</u>	<u>-</u>	<u>140,328</u>
Total net position	<u>\$ 1,518,214</u>	<u>\$ 19,692</u>	<u>\$ 265,465</u>	<u>\$ 1,803,371</u>

CITY OF LOWELL
Combining Statement of Revenues, Expenses and Changes in Fund Net Position Water Funds
Modified Cash Basis
For the Year Ended June 30, 2019

	Water Operating Fund	Water Reserve Fund	Water SDC Fund	Total Water Fund
REVENUES				
Charges for services	\$ 322,558	\$ -	\$ 68,940	\$ 391,498
Miscellaneous	134	-	-	134
Total operating revenues	<u>322,692</u>	<u>-</u>	<u>68,940</u>	<u>391,632</u>
OPERATING EXPENSES				
Personal services	133,453	-	-	133,453
Contractual services	13,734	-	-	13,734
Utilities	23,982	-	-	23,982
Repairs and maintenance	22,331	-	-	22,331
Other supplies and expenses	43,416	-	-	43,416
Insurance claims and expenses	5,643	-	-	5,643
Depreciation	95,304	-	-	95,304
Total Operating Expenses	<u>337,863</u>	<u>-</u>	<u>-</u>	<u>337,863</u>
Operating income (loss)	<u>(15,171)</u>	<u>-</u>	<u>68,940</u>	<u>53,769</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	248	2	270	520
Miscellaneous revenue	5,402	-	-	5,402
Interest expense	(29,260)	-	-	(29,260)
Total non-operating revenue (expenses)	<u>(23,610)</u>	<u>2</u>	<u>270</u>	<u>(23,338)</u>
Income (loss) before contributions and transfers	(38,781)	2	69,210	30,431
Transfers in	14,050	3,938	196,255	214,243
Transfers out	(5,938)	-	-	(5,938)
Gain (loss) on sale of land	(29)	-	-	(29)
Change in net position	<u>(30,698)</u>	<u>3,940</u>	<u>265,465</u>	<u>238,707</u>
Total net position - beginning	<u>1,548,912</u>	<u>15,752</u>	<u>-</u>	<u>1,564,664</u>
Total net position - ending	<u>\$ 1,518,214</u>	<u>\$ 19,692</u>	<u>\$ 265,465</u>	<u>\$ 1,803,371</u>

CITY OF LOWELL
Combining Statement of Cash Flows Water Funds
Modified Cash Basis
For the Year Ended June 30, 2019

	Water Funds			Total Water Fund
	Water Operating Fund	Water Reserve Fund	Water SDC Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 323,998	\$ -	\$ 68,940	\$ 392,938
Miscellaneous operating revenue	134	-	-	134
Payments to suppliers	(109,106)	-	-	(109,106)
Payments to employees	(133,453)	-	-	(133,453)
Net cash provided (used) by operating activities	<u>81,573</u>	<u>-</u>	<u>68,940</u>	<u>150,513</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Other receipts	5,413	-	-	5,413
Non capital financing activities - transfers	8,112	3,938	196,255	208,305
Net cash provided (used) by noncapital financing activities	<u>13,525</u>	<u>3,938</u>	<u>196,255</u>	<u>213,718</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments on Loans	(34,820)	-	-	(34,820)
Purchases of capital assets	(28,607)	-	-	(28,607)
Interest paid on capital debts	(29,260)	-	-	(29,260)
Net cash provided (used) by capital related financing activities	<u>(92,687)</u>	<u>-</u>	<u>-</u>	<u>(92,687)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	248	2	270	520
Net cash provided (used) by investing activities	<u>248</u>	<u>2</u>	<u>270</u>	<u>520</u>
Net increase (decrease) in cash and cash equivalents	<u>2,659</u>	<u>3,940</u>	<u>265,465</u>	<u>272,064</u>
Cash Balances - beginning of the year	171,669	15,752	-	187,421
Cash Balances - end of the year	<u>\$ 174,328</u>	<u>\$ 19,692</u>	<u>\$ 265,465</u>	<u>\$ 459,485</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (Loss)	\$ (15,171)	\$ -	\$ 68,940	\$ 53,769
Adjustments to reconcile operating income:				
Depreciation expense	95,304	-	-	95,304
Change in assets and liabilities:				
Increase (decrease) in deposits	1,440	-	-	1,440
Net cash provided (used) by operating activities	<u>\$ 81,573</u>	<u>\$ -</u>	<u>\$ 68,940</u>	<u>\$ 150,513</u>

CITY OF LOWELL
Combining Balance Sheet Sewer Funds
Modified Cash Basis
June 30, 2019

	<u>Sewer Operating Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer SDC Fund</u>	<u>Total Sewer Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 176,148	\$ 8,246	\$ 128,017	\$ 312,411
Total current assets	<u>176,148</u>	<u>8,246</u>	<u>128,017</u>	<u>312,411</u>
Non-current assets:				
Capital Assets:				
Land	11,000	-	-	11,000
Buildings and facilities	81,869	-	-	81,869
Vehicles and rolling stock	34,064	-	-	34,064
Equipment and Furniture	33,629	-	-	33,629
Infrastructure	4,708,963	-	-	4,708,963
Less Accumulated depreciation	<u>(2,757,719)</u>	<u>-</u>	<u>-</u>	<u>(2,757,719)</u>
Total non-current assets	<u>2,111,806</u>	<u>-</u>	<u>-</u>	<u>2,111,806</u>
Total assets	<u>\$ 2,287,954</u>	<u>\$ 8,246</u>	<u>\$ 128,017</u>	<u>\$ 2,424,217</u>
LIABILITIES				
Current Liabilities:				
Bonds, notes and loans payable	\$ 29,013	\$ -	\$ -	\$ 29,013
Total current liabilities	<u>29,013</u>	<u>-</u>	<u>-</u>	<u>29,013</u>
Non-current liabilities:				
Bonds, notes and loans payable	576,682	-	-	576,682
Total non-current liabilities	<u>576,682</u>	<u>-</u>	<u>-</u>	<u>576,682</u>
Total liabilities	<u>605,695</u>	<u>-</u>	<u>-</u>	<u>605,695</u>
NET POSITION				
Net investment in capital assets	1,506,111	-	-	1,506,111
Restricted for debt service	-	8,246	-	8,246
Restricted for capital projects (SDC)	-	-	128,017	128,017
Unrestricted	176,148	-	-	176,148
Total net position	<u>\$ 1,682,259</u>	<u>\$ 8,246</u>	<u>\$ 128,017</u>	<u>\$ 1,818,522</u>

CITY OF LOWELL
Combining Statement of Revenues, Expenses and Changes in Fund Net Position Sewer Funds
Modified Cash Basis
For the Year Ended June 30, 2019

	<u>Sewer Operating Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer SDC Fund</u>	<u>Total Sewer Fund</u>
REVENUES				
Charges for services	\$ 351,345	\$ -	\$ 11,942	\$ 363,287
Miscellaneous	108	-	-	108
Total operating revenues	<u>351,453</u>	<u>-</u>	<u>11,942</u>	<u>363,395</u>
OPERATING EXPENSES				
Personal services	133,446	-	-	133,446
Contractual services	20,433	-	-	20,433
Utilities	40,351	-	-	40,351
Repairs and maintenance	15,570	-	-	15,570
Other supplies and expenses	39,942	-	-	39,942
Insurance claims and expenses	5,643	-	-	5,643
Depreciation	111,851	-	-	111,851
Total Operating Expenses	<u>367,236</u>	<u>-</u>	<u>-</u>	<u>367,236</u>
Operating income (loss)	<u>(15,783)</u>	<u>-</u>	<u>11,942</u>	<u>(3,841)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	4,655	1	158	4,814
Miscellaneous revenue	8,101	-	-	8,101
Interest expense	(23,419)	-	-	(23,419)
Total non-operating revenue (expenses)	<u>(10,663)</u>	<u>1</u>	<u>158</u>	<u>(10,504)</u>
Income (loss) before contributions and transfers	<u>(26,446)</u>	<u>1</u>	<u>12,100</u>	<u>(14,345)</u>
Transfers in	29,791	1,575	115,917	147,283
Transfers out	(3,575)	-	-	(3,575)
Change in net position	<u>(230)</u>	<u>1,576</u>	<u>128,017</u>	<u>129,363</u>
Total net position - beginning	<u>1,682,489</u>	<u>6,670</u>	<u>-</u>	<u>1,689,159</u>
Total net position - ending	<u>\$ 1,682,259</u>	<u>\$ 8,246</u>	<u>\$ 128,017</u>	<u>\$ 1,818,522</u>

CITY OF LOWELL
Combining Statement of Cash Flows Sewer Funds
Modified Cash Basis
For the Year Ended June 30, 2019

	Sewer Funds			Total Sewer Fund
	Sewer Operating Fund	Sewer Reserve Fund	Sewer SDC Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 351,453	\$ -	\$ 11,942	\$ 363,395
Payments to suppliers	(121,939)	-	-	(121,939)
Payments to employees	(133,446)	-	-	(133,446)
Net cash provided (used) by operating activities	<u>96,068</u>	<u>-</u>	<u>11,942</u>	<u>108,010</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Other receipts	8,102	-	-	8,102
Non capital financing activities - transfers	26,216	1,575	115,917	143,708
Net cash provided (used) by noncapital financing activities	<u>34,318</u>	<u>1,575</u>	<u>115,917</u>	<u>151,810</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments on Loans	(28,489)	-	-	(28,489)
Purchases of capital assets	(28,604)	-	-	(28,604)
Interest paid on capital debts	(23,419)	-	-	(23,419)
Net cash provided (used) by capital related financing activities	<u>(80,512)</u>	<u>-</u>	<u>-</u>	<u>(80,512)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	4,655	1	158	4,814
Net cash provided (used) by investing activities	<u>4,655</u>	<u>1</u>	<u>158</u>	<u>4,814</u>
Net increase (decrease) in cash and cash equivalents	<u>54,529</u>	<u>1,576</u>	<u>128,017</u>	<u>184,122</u>
Cash Balances - beginning of the year	<u>121,619</u>	<u>6,670</u>	<u>-</u>	<u>128,289</u>
Cash Balances - end of the year	<u>\$ 176,148</u>	<u>\$ 8,246</u>	<u>\$ 128,017</u>	<u>\$ 312,411</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (Loss)	\$ (15,783)	\$ -	\$ 11,942	\$ (3,841)
Adjustments to reconcile operating income: Depreciation expense	<u>111,851</u>	<u>-</u>	<u>-</u>	<u>111,851</u>
Net cash provided (used) by operating activities	<u>\$ 96,068</u>	<u>\$ -</u>	<u>\$ 11,942</u>	<u>\$ 108,010</u>

CITY OF LOWELL
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 141,122	\$ 141,122	\$ 147,569	\$ 6,447
Fees and fines	2,000	2,000	1,940	(60)
Licenses and permits	53,360	254,967	176,433	(78,534)
Intergovernmental	105,175	105,175	50,329	(54,846)
Charges for services	4,580	4,580	6,251	1,671
Franchise fees	54,279	54,279	52,206	(2,073)
Reimbursement SDC Fees	735	735	376	(359)
Investment earnings	3,500	3,500	9,438	5,938
Miscellaneous	7,000	233,263	227,436	(5,827)
Total revenues	<u>371,751</u>	<u>799,621</u>	<u>671,978</u>	<u>(127,643)</u>
EXPENDITURES				
Current:				
General government	131,504	512,767	403,113	109,654
Parks	152,095	527,095	494,501	32,594
Public Safety - Police	29,106	29,106	27,300	1,806
Community Development	100,194	301,801	168,433	133,368
Library	7,679	7,679	3,908	3,771
Tourism	12,850	12,850	7,566	5,284
Code enforcement	16,560	16,560	11,863	4,697
Municipal court	13,682	13,682	11,186	2,496
Contingency	77,488	77,488	-	77,488
Total Expenditures	<u>541,158</u>	<u>1,499,028</u>	<u>1,127,870</u>	<u>371,158</u>
Excess (deficiency) of revenues over expenditures	<u>(169,407)</u>	<u>(699,407)</u>	<u>(455,892)</u>	<u>243,515</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	530,000	530,000	-
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources and uses	<u>(2,000)</u>	<u>528,000</u>	<u>528,000</u>	<u>-</u>
Net change in fund balances	<u>(171,407)</u>	<u>(171,407)</u>	<u>72,108</u>	<u>243,515</u>
Fund balances - beginning	<u>179,407</u>	<u>179,407</u>	<u>225,395</u>	<u>45,988</u>
Fund balances - ending	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 297,503</u>	<u>\$ 289,503</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Parks SDC Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
SDC Fees	\$ 14,160	\$ 14,160	\$ 7,880	\$ (6,280)
Investment earnings	1,011	1,011	51	(960)
Total revenues	<u>15,171</u>	<u>15,171</u>	<u>7,931</u>	<u>(7,240)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	39,627	39,627	37,691	(1,936)
Total other financing sources and uses	<u>39,627</u>	<u>39,627</u>	<u>37,691</u>	<u>(1,936)</u>
Net change in fund balances	54,798	54,798	45,622	(9,176)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ 54,798</u>	<u>\$ 54,798</u>	<u>\$ 45,622</u>	<u>\$ (9,176)</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Street Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 77,554	\$ 77,554	\$ 78,103	\$ 549
Charges for services	-	-	-	-
Reimbursement SDC Fees	1,605	1,605	2,354	749
Investment earnings	500	500	153	(347)
Miscellaneous	-	-	133	133
Total revenues	<u>79,659</u>	<u>79,659</u>	<u>80,743</u>	<u>1,084</u>
EXPENDITURES				
Current:				
Personal Services	44,963	44,963	37,483	7,480
Materials and Services	67,952	67,952	64,705	3,247
Capital Outlay	63,001	63,001	10,008	52,993
Contingency	19,195	19,195	-	19,195
Total Expenditures	<u>195,111</u>	<u>195,111</u>	<u>112,196</u>	<u>82,915</u>
Excess (deficiency) of revenues over expenditures	<u>(115,452)</u>	<u>(115,452)</u>	<u>(31,453)</u>	<u>83,999</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000)	(4,000)	(4,000)	-
Total other financing sources and uses	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balances	(119,452)	(119,452)	(35,453)	83,999
Fund balances - beginning	<u>119,452</u>	<u>119,452</u>	<u>126,292</u>	<u>6,840</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,839</u>	<u>\$ 90,839</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Streets SDC Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
SDC Fees	\$ 8,505	\$ 8,505	\$ 13,397	\$ 4,892
Investment earnings	655	655	33	(622)
Total revenues	<u>9,160</u>	<u>9,160</u>	<u>13,430</u>	<u>4,270</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>24,247</u>	<u>24,247</u>	<u>23,187</u>	<u>(1,060)</u>
Total other financing sources and uses	<u>24,247</u>	<u>24,247</u>	<u>23,187</u>	<u>(1,060)</u>
Net change in fund balances	33,407	33,407	36,617	3,210
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 33,407</u>	<u>\$ 33,407</u>	<u>\$ 36,617</u>	<u>\$ 3,210</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Stormwater SDC Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
SDC Fees	\$ 9,675	\$ 9,675	\$ 9,005	\$ (670)
Investment earnings	193	193	34	(159)
Total revenues	<u>9,868</u>	<u>9,868</u>	<u>9,039</u>	<u>(829)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>25,665</u>	<u>25,665</u>	<u>24,340</u>	<u>(1,325)</u>
Total other financing sources and uses	<u>25,665</u>	<u>25,665</u>	<u>24,340</u>	<u>(1,325)</u>
Net change in fund balances	35,533	35,533	33,379	(2,154)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ 35,533</u>	<u>\$ 35,533</u>	<u>\$ 33,379</u>	<u>\$ (2,154)</u>

CITY OF LOWELL
Budget and Actual (with Variances)
SDC Fund
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (411,247)	\$ (411,247)	\$ (397,391)	\$ 13,856
Total other financing sources and uses	(411,247)	(411,247)	(397,391)	13,856
Net change in fund balances	(411,247)	(411,247)	(397,391)	13,856
Fund balances - beginning	411,247	411,247	397,391	(13,856)
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

CITY OF LOWELL
Budget and Actual (with Variances)
Debt Reserve Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 115	\$ 115
Total revenues	-	-	115	115
Excess (deficiency) of revenues over expenditures	-	-	115	115
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,745)	(15,745)	(15,745)	-
Total other financing sources and uses	(15,745)	(15,745)	(15,745)	-
Net change in fund balances	(15,745)	(15,745)	(15,630)	115
Fund balances - beginning	28,395	28,395	28,469	74
Fund balances - ending	\$ 12,650	\$ 12,650	\$ 12,839	\$ 189

CITY OF LOWELL
Budget and Actual (with Variances)
Blackberry Jam Festival Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Festival revenue	\$ 20,900	\$ 20,900	\$ 16,992	\$ (3,908)
Investment earnings	10	10	7	(3)
Miscellaneous	500	500	328	(172)
Total revenues	<u>21,410</u>	<u>21,410</u>	<u>17,327</u>	<u>(4,083)</u>
EXPENDITURES				
Current:				
Materials and Services	23,790	23,790	20,309	3,481
Contingency	14,671	14,671	-	14,671
Total Expenditures	<u>38,461</u>	<u>38,461</u>	<u>20,309</u>	<u>18,152</u>
Excess (deficiency) of revenues over expenditures	<u>(17,051)</u>	<u>(17,051)</u>	<u>(2,982)</u>	<u>14,069</u>
Net change in fund balances	(17,051)	(17,051)	(2,982)	14,069
Fund balances - beginning	17,051	17,051	19,374	2,323
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,392</u>	<u>\$ 16,392</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Equipment Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 2	\$ 2
Total revenues	-	-	2	2
EXPENDITURES				
Interest and other charges	-	-	-	-
Capital Outlay	53,579	53,579	53,442	137
Total Expenditures	53,579	53,579	53,442	137
Excess (deficiency) of revenues over expenditures	(53,579)	(53,579)	(53,440)	139
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
Total other financing sources and uses	10,000	10,000	10,000	-
Net change in fund balances	(43,579)	(43,579)	(43,440)	139
Fund balances - beginning	43,579	43,579	43,614	35
Fund balances - ending	\$ -	\$ -	\$ 174	\$ 174

CITY OF LOWELL
Budget and Actual (with Variances)
Water Operating Fund
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Charges for services	\$ 303,592	\$ 303,592	\$ 304,983	\$ 1,391
Water connections and permits	3,750	3,750	4,165	415
Reimbursement of SDC fees	10,395	10,395	13,410	3,015
Investment earnings	300	300	248	(52)
Miscellaneous	5,000	5,000	5,545	545
Total revenues	<u>323,037</u>	<u>323,037</u>	<u>328,351</u>	<u>5,314</u>
EXPENDITURES				
Current:				
Personal services	168,689	168,689	133,453	35,236
Materials and services	106,781	106,781	109,106	(2,325)
Capital outlay	35,955	35,955	14,558	21,397
Debt Service:				
Principal	34,821	34,821	34,819	2
Interest and other charges	29,262	29,262	29,260	2
Contingency	70,733	70,733	-	70,733
Total Expenditures	<u>446,241</u>	<u>446,241</u>	<u>321,196</u>	<u>125,045</u>
Excess (deficiency) of revenues over expenditures	<u>(123,204)</u>	<u>(123,204)</u>	<u>7,155</u>	<u>130,359</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,938)</u>	<u>(5,938)</u>	<u>(5,938)</u>	<u>-</u>
Total other financing sources and uses	<u>(5,938)</u>	<u>(5,938)</u>	<u>(5,938)</u>	<u>-</u>
Net change in fund balances	(129,142)	(129,142)	1,217	130,359
Fund balances - beginning	<u>129,142</u>	<u>129,142</u>	<u>139,109</u>	<u>9,967</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	140,326	<u>\$ 140,326</u>
Reconciliation to modified cash basis:				
Net capital assets			2,318,047	
Long-term debt			<u>(940,159)</u>	
Net position, modified cash basis			<u>\$ 1,518,214</u>	

CITY OF LOWELL
Budget and Actual (with Variances)
Water Reserve Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 2	\$ 2
Total revenues	-	-	2	2
Excess (deficiency) of revenues over expenditures	-	-	2	2
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	-	-
Transfers in	\$ 3,938	\$ 3,938	\$ 3,938	\$ -
Total other financing sources and uses	3,938	3,938	3,938	-
Net change in fund balances	3,938	3,938	3,940	2
Fund balances - beginning	15,752	15,752	15,752	-
Fund balances - ending	\$ 19,690	\$ 19,690	\$ 19,692	\$ 2

CITY OF LOWELL
Budget and Actual (with Variances)
Water SDC Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
SDC Fees	\$ 55,020	\$ 55,020	\$ 68,940	\$ 13,920
Investment earnings	3,768	3,768	270	(3,498)
Total revenues	<u>58,788</u>	<u>58,788</u>	<u>69,210</u>	<u>10,422</u>
Excess (deficiency) of revenues over expenditures	<u>58,788</u>	<u>58,788</u>	<u>69,210</u>	<u>10,422</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>203,746</u>	<u>203,746</u>	<u>196,255</u>	<u>(7,491)</u>
Total other financing sources and uses	<u>203,746</u>	<u>203,746</u>	<u>196,255</u>	<u>(7,491)</u>
SPECIAL ITEM				
Net change in fund balances	262,534	262,534	265,465	2,931
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$262,534</u>	<u>\$262,534</u>	<u>\$265,465</u>	<u>\$ 2,931</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Sewer Operating Fund
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 340,134	\$ 340,134	\$ 342,844	\$ 2,710
Sewer connections and permits	805	805	1,610	805
Reimbursement of SDC fees	8,835	8,835	6,891	(1,944)
Investment earnings	-	-	4,655	4,655
Miscellaneous	4,500	4,500	8,212	3,712
Total revenues	<u>354,274</u>	<u>354,274</u>	<u>364,212</u>	<u>9,938</u>
EXPENDITURES				
Current:				
Personal services	168,689	168,689	133,446	35,243
Materials and services	124,020	124,020	121,939	2,081
Debt Service:				
Principal	28,490	28,490	28,489	1
Interest and other charges	23,420	23,420	23,419	1
Capital Outlay	23,955	23,955	14,558	9,397
Contingency	103,805	103,805	-	103,805
Total Expenditures	<u>472,379</u>	<u>472,379</u>	<u>321,851</u>	<u>150,528</u>
Excess (deficiency) of revenues over expenditures	<u>(118,105)</u>	<u>(118,105)</u>	<u>42,361</u>	<u>160,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,745	15,745	15,745	-
Transfers out	(3,575)	(3,575)	(3,575)	-
Total other financing sources and uses	<u>12,170</u>	<u>12,170</u>	<u>12,170</u>	<u>-</u>
Net change in fund balances	<u>(105,935)</u>	<u>(105,935)</u>	<u>54,531</u>	<u>160,466</u>
Fund balances - beginning	<u>105,935</u>	<u>105,935</u>	<u>121,619</u>	<u>15,684</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>176,150</u>	<u>\$ 176,150</u>
Reconciliation to modified cash basis:				
Net capital assets			2,111,806	
Long-term debt			<u>(605,697)</u>	
Net position, modified cash basis			<u>\$ 1,682,259</u>	

CITY OF LOWELL
Budget and Actual (with Variances)
Sewer Reserve Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
Total revenues	-	-	1	1
Excess (deficiency) of revenues over expenditures	-	-	1	1
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,575	\$ 1,575	\$ 1,575	\$ -
Total other financing sources and uses	1,575	1,575	1,575	-
Net change in fund balances	1,575	1,575	1,576	1
Fund balances - beginning	6,670	6,670	6,670	-
Fund balances - ending	\$ 8,245	\$ 8,245	\$ 8,246	\$ 1

CITY OF LOWELL
Budget and Actual (with Variances)
Sewer SDC Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
SDC Fees	\$ 15,390	\$ 15,390	\$ 11,942	\$ (3,448)
Investment earnings	2,581	2,581	158	(2,423)
Total revenues	<u>17,971</u>	<u>17,971</u>	<u>12,100</u>	<u>(5,871)</u>
Excess (deficiency) of revenues over expenditures	<u>17,971</u>	<u>17,971</u>	<u>12,100</u>	<u>(5,871)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>117,962</u>	<u>117,962</u>	<u>115,917</u>	<u>(2,045)</u>
Total other financing sources and uses	<u>117,962</u>	<u>117,962</u>	<u>115,917</u>	<u>(2,045)</u>
Net change in fund balances	<u>135,933</u>	<u>135,933</u>	<u>128,017</u>	<u>(7,916)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 135,933</u>	<u>\$ 135,933</u>	<u>\$ 128,017</u>	<u>\$ (7,916)</u>

***REPORT OF THE INDEPENDENT AUDITORS REQUIRED BY
THE STATE OF OREGON MINIMUM STANDARDS FOR
AUDITS OF OREGON MUNICIPAL CORPORATIONS***

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
Eugene OR 97401

REPORT OF THE INDEPENDENT AUDITORS REQUIRED BY THE STATE OF
OREGON MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL
CORPORATIONS

Honorable Mayor and City Council
City of Lowell
107 East Third Street
Post Office Box 490
Lowell, Oregon 97452

We have audited the basic financial statements of City of Lowell (the City) as of and for the year ended June 30, 2019, and have issued our report thereon dated January 15, 2020.

Compliance

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

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

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

Honorable Mayor and City Council
City of Lowell
Page 2 of 2

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

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Communication on the City's internal control over financial reporting is issued in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* on pages 37-38.

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

EMERALD CPA GROUP, LLP
Certified Public Accountants

Eugene, Oregon
January 15, 2020

***REPORT ON INTERNAL CONTROL OVER FINANCING REPORTING AND
ON COMPLIANCE AND OTHER MATTER BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS***

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
Eugene OR 97401

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTER BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Lowell
Lowell, Oregon

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 15, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purposed described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purposed described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EMERALD CPA GROUP, LLP

Certified Public Accountants

Eugene, Oregon
January 15, 2020