

**CITY OF REEDSPORT
OREGON**

AUDIT REPORT

JUNE 30, 2017

Prepared By
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CITY OF REEDSPORT, OREGON

LIST OF OFFICERS

CITY COUNCIL

Mayor	Linda McCollum	100 River Bend Road #38 Reedsport, OR 97467
President	Frank Barth, Jr.	1209 Ivy Street Reedsport, OR 97467
Alternate President	Leslee Collier	100 Riverbend Road #41 Reedsport, OR 97467
Councilor	Diane Essig	255 Winchester Avenue Reedsport, OR 97467
Councilor	DeeDee Murphy	100 River Bend Road #120 Reedsport, OR 97467
Councilor	Debbie Turner	921 Ranch Road Reedsport, OR 97467
Councilor	Rich Patten	1913 Greenwood Avenue Reedsport, OR 97467

MANAGEMENT TEAM

City Manager	Jonathan Wright
Financial Director	Jessica Terra
Police Chief	Duane Wisehart
Fire Chief	Tom Anderson
City Recorder	Deanna Schafer
UDC Director	Diane Novak
City Attorney	Steve Miller
City Prosecuting Attorney	Kathleen Dyer
Municipal Judge	Muenchrath Law

CITY OF REEDSPORT, OREGON

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Reedsport
Reedsport, Oregon

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Reedsport, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reedsport, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and PERS schedules and notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the management's discussion and analysis information, and PERS schedules and notes 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the management's discussion and analysis, and PERS schedule and notes because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedsport's basic financial statements. The combining statements, individual budget and actual schedules, and the reconciliation of budgetary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary 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 my opinion, combining statements, budget and actual schedules, and the reconciliation of budgetary schedules, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 26, 2018, on my consideration of the City of Reedsport's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Reedsport's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated January 26, 2018 on my consideration of City of Reedsport's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.

SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
January 26, 2018

Management's Discussion and Analysis

As management of City of Reedsport ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$21.9 million (*net position*); of this amount, \$6.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position increased by \$726 thousand.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$6 million, an increase of \$283 thousand in comparison with the prior year. Approximately \$2.1 million of this total is available for spending at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, the unrestricted fund balance of the General Fund was \$1.2 million, or 57 percent of total general fund expenditures.
- The City's total debt increased by \$900 thousand (7%) during the current fiscal year. The major portion of the increase is due to a statewide major increase in PERS pension liabilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad view 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused time off).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. Business-type activities of the City include water, wastewater, stormwater, and building rental services.

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, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows*

of 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 financial 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, street fund, and two URA funds, all considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund, street fund and urban renewal agency funds to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City has four proprietary funds. *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 water, wastewater, stormwater and building rental services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own program. The accounting used for fiduciary funds is much like that used for governmental funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information.

The budgetary information for the nonmajor funds and the combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$21.9 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (65%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Reedsport's Net Position, in thousands

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,274	\$ 2,770	\$ 6,190	\$ 5,865	\$ 9,464	\$ 8,635
Capital assets	3,651	3,567	21,993	22,071	25,644	25,638
Total assets	6,925	6,337	28,183	27,936	35,108	34,273
Deferred outflows	670	76	223	25	893	101
Total assets and deferred outflows	7,595	6,413	28,406	27,961	36,001	34,374
Long-term liabilities outstanding	29	43	10,976	11,621	11,005	11,664
Other liabilities	236	120	1,097	716	1,333	836
Pension Liability	1,183	345	398	119	1,581	464
Total liabilities	1,448	508	12,471	12,456	13,919	12,964
Deferred inflows	76	117	22	36	98	153
Total liabilities and deferred inflows	1,524	625	12,493	12,492	14,017	13,117
Net position:						
Net invested in capital assets	3,651	3,567	10,628	10,053	14,279	13,620
Restricted	298	295	1,289	1,204	1,587	1,499
Unrestricted	2,122	1,926	3,996	4,213	6,118	6,139
Total net position	\$ 6,071	\$ 5,788	\$ 15,913	\$ 15,470	\$ 21,984	\$ 21,258

An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* 27% (\$6,118) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$726 thousand during the fiscal year.

Governmental Activities

Governmental activities increased the City's net position by \$283 thousand and business activities by \$443 thousand.

Change in net position is as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 389	\$ 361	\$ 2,933	\$ 2,827	\$ 3,322	\$ 3,188
Operating grants/contributions	85	31	215	158	300	189
Capital grants and contributor	525	91	-	-	525	91
General revenues:						
Property taxes	1,431	1,416	-	-	1,431	1,416
Other taxes	937	799	-	-	937	799
Other revenue	178	139	-	-	178	139
Investment income	27	16	58	38	85	54
Total revenues	3,572	2,853	3,206	3,023	6,778	5,876
Expenses						
General government	921	1,127	-	-	921	1,127
Public safety	1,528	1,567	-	-	1,528	1,567
Highways and streets	215	192	-	-	215	192
Culture and recreation	603	232	-	-	603	232
Water	-	-	1,094	843	1,094	843
Wastewater	-	-	1,499	1,694	1,499	1,694
Stormwater	-	-	110	213	110	213
Dunes NRA lease	-	-	81	55	81	55
Total expenses	3,268	3,118	2,784	2,805	6,052	5,923
Change in net position	304	(265)	422	218	726	(47)
Transfers	(21)	(149)	21	149	-	-
Change in net position	283	(414)	443	367	726	(47)
Beginning net position	5,788	6,202	15,470	15,103	21,258	21,305
Ending net position	\$ 6,071	\$ 5,788	\$ 15,913	\$ 15,470	\$ 21,984	\$ 21,258

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6 million, an increase of \$283 thousand in comparison with the prior year. Approximately \$2.1 million of the total amount constitutes unrestricted fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total unrestricted fund balance reached \$1.2 million.

The fund balance of the City's General Fund increased by \$188 thousand during the current fiscal year.

General Fund Budgetary Highlights

This General Fund increase is attributed to slight revenue increases from multiple resources, such as property tax collections, franchise fees, state revenue sharing and taxes, transient room taxes, permitting and licensing fees, and court fines.

This fiscal year, an astonishing amount of grants were secured for capital projects such as the Riverfront Boat Launch Expansion, new police vehicles, levee improvements, and park improvements, which were the main attributors to the changes from the original budget and the final budget. The police department also secured numerous grants and donations for a K9. Additional changes to the budget were primarily related to another year of restructuring staffing positions at City Hall.

Staff continues to maintain a conservative approach to expending funds, which also lends to the increase in the General Fund balance.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$25.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, systems, park facilities, roads, bridges, culverts and wastewater treatment plant construction.

Major capital asset events during the current fiscal year included a property purchase, purchase of vehicles, park and other equipment, infrastructure improvements. Construction in progress expenditures for the Levee Project, Highland – Garden Waterline, pump station, water plant improvements, and other infrastructure construction projects.

**City of Reedsport's Capital Assets
(Net of Depreciation), in thousands**

	Governmental Activity		Business Activity		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 811	\$ 770	\$ 113	\$ 113	\$ 924	\$ 883
Construction in progress	390	53	1,036	430	1,426	483
Buildings	813	880	317	348	1,130	1,228
Machinery and equipment	864	1,132	107	79	971	1,211
Infrastructure/Systems	773	732	20,420	21,102	21,193	21,834
Total	\$ 3,651	\$ 3,567	\$ 21,993	\$ 22,072	\$ 25,644	\$ 25,639

Additional information on the City's capital assets can be found in Note 4.C of this report.

Long-term liabilities

City of Reedsport's Long-term liabilities, in thousands

	Governmental Activity		Business Type Activity		Total	
	2017	2016	2017	2016	2017	2016
Loans payable	\$ 0	\$ 0	\$ 1,948	\$ 2,168	\$ 1,948	\$ 2,168
Compensated absences	104	104	60	55	164	159
Revenue bonds	0	0	9,417	9,853	9,417	9,853
Total	\$ 104	\$ 104	\$ 11,425	\$ 12,076	\$ 11,529	\$ 12,180

Economic Factors and Next Year's Budgets and Rates.

The slow economic recovery in Reedsport sped up slightly over the last year. Housing starts were up and a few modest sized commercial permits were issued. This increase in activity can be attributed to two factors. The first being a direct result of localized economic development efforts taken on by the City over the last few years; and, the second being the impact of nationwide economic growth. These factors led tax revenues to start to outpace tax losses for the first time in years. Losses are caused by a condition called tax compression resulting by two measures (Measure 50 and Measure 5). While not making up for the last decade of tax compression losses, it has allowed management to reinstitute a budget based cost of living for the upcoming year. This will be the first cost of living given to City employees in six years.

With increased development activity comes an increased activity at City Hall and an increased burden on the small pool of City Hall Staff. This has forced management to look for ways to bring back some of the positions eliminated during the years of economic cuts. However, these efforts are overshadowed by the possibility of the implementation of a new Library District. The Library was defunded by the County over a year ago and it has only been through the effort of volunteers that the library has remained open however the lack of stable funding has prompted the formation of a political action group focused on creating a taxing district to fund library operations. While this would help fund the library it would also worsen tax compression in Reedsport forcing sizable decreases in tax revenues, offsetting some of the recent gains experienced.

Another factor affecting the budgeting process is City's inability to adjust utility rates outside of a City wide election. Past attempts to adjust the City's utility rates has resulted in strong opposition from voters, even when the City attempted to adjust rates down for one utility and up for another resulting in no net increase in rates. Despite localized economic growth and the creation of new homes, the City's utility fund's (water and wastewater) user fee revenues continue to decline. This is directly attributed to the installation of water meters allowing residents to control their consumption and thus what they pay for utility services.

and wastewater) user fee revenues continue to decline. This is directly attributed to the installation of water meters allowing residents to control their consumption and thus what they pay for utility services. While the state has mandated the City be entirely metered, the City has been reluctant to go that direction and only installs meters for those who request them. This still results in the installation of 8-15 meters a year.

While the wastewater user fees continue to decline, the wastewater utility has been able to minimize net losses by accepting leachate from the County and with the acceptance of waste from commercial haulers. This next year the utility will have the chance to make revenues from the interest derived by lending funds to help with the expansion of the City owned US Forest Service building in Reedsport in which the rents derived from the larger facility will be used to pay back the wastewater fund with interest. These ancillary sources of revenue work against losses and increasing expenses to fundamentally breakeven.

The City's water utility is not so fortunate. With the last rate increase occurring in 2006 this utility has become underfunded against the rising costs associated with inflation and the increasing maintenance demand of the areas aging water system. Management has adopted a no net increase policy for this fund meaning that any increased expenses to these funds must be offset by cuts to other portions of the budget. This has not been popular with the collective bargaining unit that represents the utility workers and has caused tension between management and the represented members despite the City's inability to change the circumstance. While new homes and businesses all help slow the rate of decline, absent of a large scale utility user in the area, this utility is at risk of becoming insolvent.

Not all is bleak in the City's utility funds, the City was successful with the passage of a local (seasonal) fuel tax deigned to help with the capital costs of levee maintenance and levee certification (Storm Water Fund). This tax has provided Management with revenue that can be put toward grants as required match. It is because of these funds and the tenacity of City staff that the City has completed all of the preliminary analysis required for levee certification making the City the frontrunner for levee safety projects in the state. Despite this there are still millions of dollars in outstanding projects necessary to both certify the levee and repair major issues that result in isolated flooding each year.

This next year is full of promise, opportunity and risk. Millions of dollars in grants acquired over many years of effort have been awarded to the City and many areas of the town will see improvement. This will hopefully springboard economic recovery, especially in our downtown and waterfront area. We will continue to promote development both inside and outside of the City and capitalize on federal infrastructure grants as they become available in order to meet mandates and improve our aging utilities. We need to take our gains, however small, and start to rebuild the services and positions that have been reduced or eliminated and most importantly do what we can to invest in our employees. With these goals we hope we will never go back economically to where we were just a few short years ago and eventually become the thriving community Reedsport was once known for.

Request for Information

This financial report is designed to provide a general overview of the City of Reedsport's finances for all or those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager.

CITY OF REEDSPORT. OREGON

STATEMENT OF NET POSITION
as of June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash & cash equivalents	\$ 2,354,260	\$ 5,310,168	\$ 7,664,428
Investments	506,796	506,796	1,013,592
Receivables			
Taxes	159,339	0	159,339
Accounts	106,123	281,440	387,563
Intergovernmental	97,785	1,224	99,009
Notes	20,862	0	20,862
Inventories	28,962	90,008	118,970
Total current assets	<u>3,274,127</u>	<u>6,189,636</u>	<u>9,463,763</u>
Capital assets			
Capital assets not being depreciated	1,200,618	1,149,117	2,349,735
Depreciable capital assets, net of acc. dep.	<u>2,450,367</u>	<u>20,843,657</u>	<u>23,294,024</u>
Total capital assets	<u>3,650,985</u>	<u>21,992,774</u>	<u>25,643,759</u>
Total assets	6,925,112	28,182,410	35,107,522
Deferred outflows of resources			
Pension related outflows	<u>670,481</u>	<u>223,243</u>	<u>893,724</u>
Total assets and deferred outflows	<u>7,595,593</u>	<u>28,405,653</u>	<u>36,001,246</u>
LIABILITIES			
Accounts payable	99,435	476,262	575,697
Payroll and related accruals	51,652	0	51,652
Accrued interest payable - payable from restricted	0	63,373	63,373
Unearned revenue	0	28,318	28,318
Deposits payable	0	79,971	79,971
Unforfeited bail	11,350	0	11,350
Compensated absences	60,624	35,102	95,726
Notes payable - payable from restricted	0	71,064	71,064
Bonds payable - payable from restricted	0	342,736	342,736
Total current liabilities	<u>223,061</u>	<u>1,096,826</u>	<u>1,319,887</u>
Noncurrent liabilities			
Notes payable - net of current	0	1,877,308	1,877,308
Bonds payable - net of current	0	9,073,884	9,073,884
Compensated absences - net of current	43,006	24,901	67,907
Net pension liability	<u>1,182,585</u>	<u>398,100</u>	<u>1,580,685</u>
Total noncurrent liabilities	<u>1,225,591</u>	<u>11,374,193</u>	<u>12,599,784</u>
Total liabilities	<u>1,448,652</u>	<u>12,471,019</u>	<u>13,919,671</u>
Deferred inflows of resources			
Pension related inflows	<u>76,158</u>	<u>21,825</u>	<u>97,983</u>
Total liabilities and deferred inflows	<u>1,524,810</u>	<u>12,492,844</u>	<u>14,017,654</u>
NET POSITION			
Net invested in capital assets	3,650,985	10,627,782	14,278,767
Restricted - capital projects	297,976	364,423	662,399
Restricted - debt service	0	924,560	924,560
Unrestricted	<u>2,121,822</u>	<u>3,996,044</u>	<u>6,117,866</u>
Total net position	<u>\$ 6,070,783</u>	<u>\$ 15,912,809</u>	<u>\$ 21,983,592</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

**BALANCE SHEET - GOVERNMENTAL FUNDS
as of June 30, 2017**

	General Fund	Street Fund	Urban Renewal Agency - Special Rev.	Urban Renewal Agency - Main Street	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 805,872	\$ 129,677	\$ 104,759	\$ 40,931	\$ 1,273,021	\$ 2,354,260
Investments	506,796	0	0	0	0	506,796
Receivables						
Taxes	148,114	0	11,225	0	0	159,339
Accounts	63,747	3,955	0	1,496	36,925	106,123
Intergovernmental	65,320	29,895	0	0	2,570	97,785
Notes	0	0	0	0	20,862	20,862
Due from other funds	0	0	0	0	13,398	13,398
Inventories	0	0	0	0	28,962	28,962
Total assets	<u>\$ 1,589,849</u>	<u>\$ 163,527</u>	<u>\$ 115,984</u>	<u>\$ 42,427</u>	<u>\$ 1,375,738</u>	<u>\$ 3,287,525</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 82,728	\$ 7,614	\$ 0	\$ 587	\$ 8,506	\$ 99,435
Payroll and related accruals	101,448	5,659	0	0	5,169	112,276
Unforfeited bail	11,350	0	0	0	0	11,350
Due to other funds	13,398	0	0	0	0	13,398
Total liabilities	<u>208,924</u>	<u>13,273</u>	<u>0</u>	<u>587</u>	<u>13,675</u>	<u>236,459</u>
Deferred inflows of resources						
Property taxes	126,354	0	10,102	0	0	136,456
Total liabilities and deferred inflows	<u>335,278</u>	<u>13,273</u>	<u>10,102</u>	<u>587</u>	<u>13,675</u>	<u>372,915</u>
Fund Balances						
Restricted						
Streets	0	150,254	0	0	0	150,254
Capital outlay	0	0	105,882	41,840	0	147,722
Committed						
Capital outlay	0	0	0	0	1,022,021	1,022,021
Cultural/Recreation	0	0	0	0	154,752	154,752
Public safety	0	0	0	0	185,290	185,290
Unassigned						
General fund	1,254,571	0	0	0	0	1,254,571
Total fund balances	<u>1,254,571</u>	<u>150,254</u>	<u>105,882</u>	<u>41,840</u>	<u>1,362,063</u>	<u>2,914,610</u>
Total liabilities and fund balance	<u>\$ 1,589,849</u>	<u>\$ 163,527</u>	<u>\$ 115,984</u>	<u>\$ 42,427</u>	<u>\$ 1,375,738</u>	<u>\$ 3,287,525</u>

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION**

GOVERNMENTAL FUND BALANCES	\$ 2,914,610
Capital assets, net of accumulated depreciation	3,650,985
Compensated absences	(43,006)
Deferred property taxes	136,456
Deferred inflows of resources from pensions	(76,158)
Deferred outflows of resources from pensions	670,481
Net pension liability	<u>(1,182,585)</u>
NET POSITION	<u>\$ 6,070,783</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS for the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Urban Renewal Agency - Special Revenue</u>	<u>Urban Renewal Agency - Main Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ 1,307,590	\$ 0	\$ 110,471	\$ 0	\$ 0	\$ 1,418,061
Franchise taxes	206,811	0	0	0	0	206,811
Fuel taxes	0	374,446	0	0	0	374,446
Alcohol taxes	68,549	0	0	0	0	68,549
Lodging taxes	214,199	0	0	0	35,636	249,835
Other taxes	36,189	0	0	0	0	36,189
Licenses and permits	72,118	0	0	0	0	72,118
Intergovernmental revenues	44,830	0	0	0	0	44,830
Charges for services	99,489	0	0	0	98,000	197,489
Fines and penalties	119,507	0	0	0	0	119,507
Investment earnings	12,813	945	1,391	351	11,373	26,873
Land sales	1,701	0	0	0	0	1,701
Other revenue	90,701	2,923	176	0	19,151	112,951
Grants and contracts	84,918	0	0	18,730	525,056	628,704
Total revenues	<u>2,359,415</u>	<u>378,314</u>	<u>112,038</u>	<u>19,081</u>	<u>689,216</u>	<u>3,558,064</u>
EXPENDITURES						
Current						
General government	677,649	0	8,175	23,627	0	709,451
Public safety	1,438,053	0	0	0	3,169	1,441,222
Highways and streets	0	173,596	0	0	0	173,596
Culture and recreation	70,895	0	0	0	126,359	197,254
Capital outlay	0	7,851	0	15,341	597,984	621,176
Debt service	0	0	6,792	0	0	6,792
Total expenditures	<u>2,186,597</u>	<u>181,447</u>	<u>14,967</u>	<u>38,968</u>	<u>727,512</u>	<u>3,149,491</u>
Excess (def) of revenues over expenditures	172,818	196,867	97,071	(19,887)	(38,296)	408,573
OTHER FINANCING SOURCES (USES)						
Transfers in/out	15,422	(120,650)	(170,000)	20,000	234,578	(20,650)
Net change in fund balance	188,240	76,217	(72,929)	113	196,282	387,923
FUND BALANCES - Beg. of year	<u>1,066,331</u>	<u>74,037</u>	<u>178,811</u>	<u>41,727</u>	<u>1,165,781</u>	<u>2,526,687</u>
FUND BALANCES - End of year	<u>\$ 1,254,571</u>	<u>\$ 150,254</u>	<u>\$ 105,882</u>	<u>\$ 41,840</u>	<u>\$ 1,362,063</u>	<u>\$ 2,914,610</u>

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

EXCESS OF REVENUES OVER EXPENDITURES GOVERNMENTAL FUNDS	\$ 387,923
Capitalized assets	587,946
Change in unearned revenue	13,050
Depreciation	(504,162)
Compensated absences	8
Net pension income (expense)	<u>(202,054)</u>
Changes in net position	<u>\$ 282,711</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT. OREGON

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2017**

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,582,708	\$ 3,363,885	\$ 249,060	\$ 114,515	\$ 5,310,168
Investments	253,398	253,398	0	0	506,796
Receivables					
Accounts	85,274	188,444	7,722	0	281,440
Intergovernmental	0	0	1,224	0	1,224
Inventories	62,822	27,186	0	0	90,008
Total current assets	<u>1,984,202</u>	<u>3,832,913</u>	<u>258,006</u>	<u>114,515</u>	<u>6,189,636</u>
Other Assets					
Capital assets not being depreciated	369,605	0	779,512	0	1,149,117
Depreciable capital assets	9,319,287	20,977,182	460,934	633,922	31,391,325
Accumulated depreciation	<u>(4,436,250)</u>	<u>(5,518,053)</u>	<u>(264,385)</u>	<u>(328,980)</u>	<u>(10,547,668)</u>
Total other assets	<u>5,252,642</u>	<u>15,459,129</u>	<u>976,061</u>	<u>304,942</u>	<u>21,992,774</u>
Total assets	7,236,844	19,292,042	1,234,067	419,457	28,182,410
Deferred Outflows of Resources					
Pension related outflows	115,611	93,485	7,294	6,853	223,243
Total assets and deferred outflows	<u>7,352,455</u>	<u>19,385,527</u>	<u>1,241,361</u>	<u>426,310</u>	<u>28,405,653</u>
LIABILITIES					
Current Liabilities					
Accounts payable	300,544	85,520	89,914	284	476,262
Accrued interest payable	0	63,341	32	0	63,373
Unearned revenue	28,318	0	0	0	28,318
Deposits payable	20,792	56,104	3,075	0	79,971
Compensated absences - current	14,712	18,900	670	820	35,102
Notes payable - current	0	64,921	6,143	0	71,064
Bonds payable - current	0	342,736	0	0	342,736
Total current liabilities	<u>364,366</u>	<u>631,522</u>	<u>99,834</u>	<u>1,104</u>	<u>1,096,826</u>
Noncurrent liabilities					
Notes payable	0	1,851,949	25,359	0	1,877,308
Bonds payable	0	9,073,884	0	0	9,073,884
Compensated absences	10,436	13,408	475	582	24,901
Net pension liability	<u>207,428</u>	<u>165,318</u>	<u>13,149</u>	<u>12,205</u>	<u>398,100</u>
Total noncurrent liabilities	<u>217,864</u>	<u>11,104,559</u>	<u>38,983</u>	<u>12,787</u>	<u>11,374,193</u>
Total liabilities	582,230	11,736,081	138,817	13,891	12,471,019
Deferred Inflows of Resources					
Pension related inflows	9,834	11,337	496	158	21,825
Total liabilities and deferred inflows	<u>592,064</u>	<u>11,747,418</u>	<u>139,313</u>	<u>14,049</u>	<u>12,492,844</u>
Net position					
Net invested in capital assets	5,252,642	4,125,639	944,559	304,942	10,627,782
Restricted - capital projects	72,677	285,597	6,149	0	364,423
Restricted - debt service	6,262	918,298	0	0	924,560
Unrestricted	<u>1,428,810</u>	<u>2,308,575</u>	<u>151,340</u>	<u>107,319</u>	<u>3,996,044</u>
Total net position	<u>\$ 6,760,391</u>	<u>\$ 7,638,109</u>	<u>\$ 1,102,048</u>	<u>\$ 412,261</u>	<u>\$ 15,912,809</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS for the Year Ended June 30, 2017**

	<u>Water Utility Fund</u>	<u>Wastewater Utility Fund</u>	<u>Stormwater Utility Fund</u>	<u>Dunes NRA Lease Fund</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 775,099	\$ 1,983,505	\$ 72,808	\$ 95,784	\$ 2,927,196
Miscellaneous	2,028	2,917	330	243	5,518
Total operating revenues	<u>777,127</u>	<u>1,986,422</u>	<u>73,138</u>	<u>96,027</u>	<u>2,932,714</u>
OPERATING EXPENSES					
Personnel services	341,045	351,020	18,929	33,052	744,046
Materials and services	233,599	373,685	18,664	16,138	642,086
Capital outlay	295,703	62,365	64,028	2,025	424,121
Depreciation	222,446	525,295	8,420	30,124	786,285
Total operating expenses	<u>1,092,793</u>	<u>1,312,365</u>	<u>110,041</u>	<u>81,339</u>	<u>2,596,538</u>
Operating income (loss)	<u>(315,666)</u>	<u>674,057</u>	<u>(36,903)</u>	<u>14,688</u>	<u>336,176</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	19,612	34,835	3,202	1,069	58,718
Grants	78,404	0	136,893	0	215,297
Disposal of assets	0	(4,858)	0	0	(4,858)
Interest expense	(1,394)	(181,448)	0	0	(182,842)
Total nonoperating revenues (exp)	<u>96,622</u>	<u>(151,471)</u>	<u>140,095</u>	<u>1,069</u>	<u>86,315</u>
Income (loss) before transfers and capital contributions	<u>(219,044)</u>	<u>522,586</u>	<u>103,192</u>	<u>15,757</u>	<u>422,491</u>
TRANSFERS					
Transfers in	176,150	1,062,780	234,000	0	1,472,930
Transfers out	(222,300)	(1,152,030)	(24,850)	(53,100)	(1,452,280)
Total transfers	<u>(46,150)</u>	<u>(89,250)</u>	<u>209,150</u>	<u>(53,100)</u>	<u>20,650</u>
Change in net position	<u>(265,194)</u>	<u>433,336</u>	<u>312,342</u>	<u>(37,343)</u>	<u>443,141</u>
NET POSITION - Beginning of year	<u>7,025,585</u>	<u>7,204,773</u>	<u>789,706</u>	<u>449,604</u>	<u>15,469,668</u>
NET POSITION - End of year	<u>\$ 6,760,391</u>	<u>\$ 7,638,109</u>	<u>\$ 1,102,048</u>	<u>\$ 412,261</u>	<u>\$ 15,912,809</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Year Ended June 30, 2017

	Water Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers and users	\$ 802,712	\$ 1,984,900	\$ 73,067	\$ 96,027	\$ 2,956,706
Cash payments to suppliers	(258,936)	(367,911)	(415)	(17,879)	(645,141)
Cash payments to employees	(305,869)	(318,688)	(24,308)	(30,491)	(679,356)
Net cash provided (used) by operating activities	<u>237,907</u>	<u>1,298,301</u>	<u>48,344</u>	<u>47,657</u>	<u>1,632,209</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grant	78,404	0	136,893	0	215,297
Transfers from other funds	176,150	1,062,780	234,000	0	1,472,930
Transfers to other funds	(222,300)	(1,152,030)	(24,850)	(53,100)	(1,452,280)
Net cash provided (used) by noncapital financing act.	<u>32,254</u>	<u>(89,250)</u>	<u>346,043</u>	<u>(53,100)</u>	<u>235,947</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(153,335)	(235,087)	(476,167)	0	(864,589)
Capital contributions - SDC fees	682	150,000	0	0	150,682
Principal paid on debt	(151,871)	(498,632)	(5,864)	0	(656,367)
Interest expense	(4,937)	(228,988)	(1,424)	0	(235,349)
Net cash provided (used) by capital and related financing activities	<u>(309,461)</u>	<u>(812,707)</u>	<u>(483,455)</u>	<u>0</u>	<u>(1,605,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	19,612	34,835	3,202	1,069	58,718
Net increase (decrease) in cash and cash equivalents	(19,688)	431,179	(85,866)	(4,374)	321,251
Cash & cash equivalents - Beginning of year (including restricted cash \$1,284,861)	<u>1,602,397</u>	<u>2,932,706</u>	<u>334,926</u>	<u>118,889</u>	<u>4,988,918</u>
Cash & cash equivalents - End of year (including restricted cash \$1,288,917)	<u>\$ 1,582,708</u>	<u>\$ 3,363,885</u>	<u>\$ 249,060</u>	<u>\$ 114,515</u>	<u>\$ 5,310,168</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ (315,666)	\$ 674,057	\$ (36,903)	\$ 14,688	\$ 336,176
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities					
Depreciation	222,446	525,295	8,420	30,124	786,285
(Increase) decrease in operating assets					
Accounts receivable	(2,921)	(1,523)	(71)	0	(4,515)
Net pension assets & deferrals	35,168	27,740	2,251	2,293	67,452
Inventories	(1,586)	5,716	0	0	4,130
Increase (decrease) in operating liabilities					
Accounts payable	279,169	81,688	74,382	285	435,524
Compensated absences	8	4,592	(89)	267	4,778
Deferred revenue & deposits payable	21,289	(19,264)	354	0	2,379
Net cash provided (used) by operating activities	<u>\$ 237,907</u>	<u>\$ 1,298,301</u>	<u>\$ 48,344</u>	<u>\$ 47,657</u>	<u>\$ 1,632,209</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City was incorporated in 1919. The present charter was enacted in 2006. The government of the City is vested in a City Council and a Mayor who are responsible for rule making, budget preparation and enforcement, expenditure approval and hiring of the City's management personnel. The Council consists of six members elected at large. Three Councilors are elected at each biennial general election. The Mayor is elected to serve a term of two years. The Mayor and Council are elected by vote of the general public. The Council appoints the City Manager, Municipal Judge and City Attorney.

The basic financial statements present the City and its blended component unit, the Reedsport Urban Renewal Agency (Agency), an entity for which the City is financially accountable, in accordance with GASB 39. The Agency, although a legally separate entity, is a part of the City's operations. It was organized to construct and administer capital improvements as outlined in the City's Urban Renewal Plan. The City Council serves as its governing board. All activities of the Agency are recorded in a general fund. Complete financial statements for the Agency can be obtained at City Hall, Reedsport.

These financial statements include all funds, organizations, departments and offices that are not legally separate from the City. The Reedsport Urban Renewal Agency, a component unit, is included for financial reporting purposes as a major fund. There are no other organizations, due to either their nature or significance to the City, that would make these general purpose financial statements incomplete or misleading by their exclusion.

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 nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are financed primarily through franchise taxes and transient room taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges by a given function or segment and (2) 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 as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when the payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Fund accounts for the maintenance, operation and construction of the City's streets. The primary source of revenues is state shared highway funds.

Urban Renewal Agency - Special Revenue is used to administer property tax revenues for the funding of the Urban Renewal plan through designated projects.

Urban Renewal Agency - Main Street is for the purpose of undertaking redevelopment activities within the City.

The City reports the following major proprietary funds:

Water Utility Fund reports financial activity related to supply, treatment and distribution of water, with the primary revenue coming from user fees.

Wastewater Utility Fund accounts for the resources and expense related to collection and treatment of wastewater. The primary source of revenue is user fees.

Stormwater Utility Fund accounts for revenue derived from providing for storm water services. Expenses are for the operation and maintenance of the storm water system.

Dunes NRA Lease Fund accounts for the lease of City buildings to the USDA Forest Service for the Oregon Dunes NRA headquarters.

Additionally the City reports the following fund types:

Special Revenue Funds are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are committed or legally restricted to finance particular functions or activities.

Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital-related outflows financed by proprietary funds are included within those funds. The principal sources of revenues are transfers in, proceeds from bonded debt, assessments, system development charges.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's proprietary funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include leases and rent income, capital grants, and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has one item that qualifies for reporting in this category, it's deferred amounts relating to pensions which consist of employer contributions to the Oregon Public Employees Retirement System (OPERS) after the measurement date, experience differences, and changes in proportion. This amount is deferred and recognized as an outflow of resources in the period when the City recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pension which consist of differences between projected and actual investment earning, changes in employer proportion, and differences between employer contributions and the City's proportionate share of contributions. This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

Pensions

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27*, the City's net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The City's investment policies are governed by Oregon statutes. The statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 4A.

Inventory

Inventories are valued at cost, which approximates fair value, using the first-in/first-out (FIFO) method. The cost of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Assets that may be refunded or are committed to be used for the payment of bonded debt are classed as restricted assets. Restricted resources are expended first to fund appropriations for which those restrictions were to be utilized.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, sidewalks and similar public domain items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined in the City's capitalization policy as having a historic cost or market value in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at their estimated fair value at the date of the donation.

Additions, improvements and other capital outlays that significantly improve the useful life or increase the capacity of an asset are capitalized. Other costs incurred for maintenance and repairs are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

	<u>Years</u>
Buildings and structures	30 - 50
Land improvements	25
Machinery and equipment	7 - 10
Vehicles	5
Infrastructure	10 - 40

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from net proceeds received, are reported as debt service expenditures.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory and sick leave benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Interfund Transactions

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

All other interfund transactions are reported as transfers and as a general rule are eliminated from the enterprise financial statements. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Net Position

In the government-wide statement of net position, fund equity is referred to as net position and is segregated into the following three components: 1) net invested in capital assets, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. It does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments). The City's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position amounts are considered unrestricted.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance is categorized as follows:

Nonspendable fund balance - represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.

Restricted fund balance - represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

Committed fund balance - represents funds formally set aside by the City for a particular purpose. The Council may commit a fund balance by resolution. The Council may also modify or rescind commitments by resolution.

Assigned fund balance - represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City or by an official to whom that authority has been given by the governing body.

Unassigned fund balance - is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

Use of Restricted Resources

The Council has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Balance Sheet for governmental funds includes a reconciliation between total fund balances and total net position of governmental activities in the government-wide Statement of Net Position. The elements of that reconciliation are as follows:

Capital assets are not financial resources in the governmental funds, but are reported in the Statement of Net Position at their net depreciable value.

The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.

Liabilities not due and payable in the current period are not recorded in governmental funds but are reported in the Statement of Net Position.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2017

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued

Net pension assets, deferred outflows and inflows of pension activity are not considered to be readily available and not reported in the governmental funds but are reported in the Statement of Net Position.

The Statement of Revenues, Expenditures, and Changes in Fund Balance for governmental funds includes a reconciliation between total net change in fund balances and changes in net position of governmental activities in the government-wide Statement of Activities and Changes in Net Position. The elements of that reconciliation are as follows:

Acquisition of capital assets is recorded as capital outlay in governmental funds, but the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.

Governmental funds do not report expenditures for compensated absences since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred.

Governmental funds defer revenues that do not provide current financial resources, but the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.

Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. The payment of debt principal affects the Statement of Activities and is reported as a decrease in noncurrent liabilities in the Statement of Net Position.

Pension income and expense are not readily available and not reported in the governmental funds but are reported in the Statement of Activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

The City legally adopts an annual budget for each governmental and proprietary fund type prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personnel services, materials and services, capital outlay, debt service, interfund transactions, operating contingency, and all other requirement levels. Expenditures cannot legally exceed appropriations at these control levels.

Budgets are prepared using a modified accrual basis of accounting. Reconciliation schedules bring the modified accrual basis to full accrual for compliance with generally accepted accounting principles.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified only by the City Council by the use of appropriation transfers between the levels of control. In addition Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapse at year end.

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Expenditures Over Appropriations

City		
General Fund - Building inspection	\$	1,328
Street Fund - Materials and services		685

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash and cash equivalents as of June 30, are classified in the accompanying Statement of Net Position as follows:

	<u>Balance</u>
Cash, cash equivalents and investments - unrestricted	\$7,309,132
- restricted	<u>1,368,888</u>
Total	<u>\$8,678,020</u>

Cash and cash equivalents as of June 30 consist of the following:

	<u>Balance</u>	<u>Cash & Cash Equivalent</u>	<u>Time CD</u>
Cash on hand	\$ 700	\$ 700	\$ 0
Deposits with financial institutions	1,925,367	911,775	1,013,592
External investment pool	<u>6,751,953</u>	<u>6,751,953</u>	<u>0</u>
Total cash and investments	<u>\$8,678,020</u>	<u>\$ 7,664,428</u>	<u>\$ 1,013,592</u>

Restricted cash represents customer deposits of \$79,971, debt service of \$924,494 and System Development fees of \$364,423.

Deposits

At the end of the fiscal year, the City's total deposits with financial institutions have a bank value of \$1,984,439.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminating the requirement of certificates of participation and created a shared liability structure of qualified depositories. At year end, \$1 million of the City's deposits were insured by the FDIC or NCUA and the remaining balances were in qualified depository banks: First Community Bank, Bank of the Cascades and Umpqua Bank.

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

A. DEPOSITS AND INVESTMENTS

Investments

At year end, the City has total funds of \$6,751,953 in the State of Oregon Local Government Investment Pool and \$1,013,592 is in a time certificate of deposit.

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council. At the end of the fiscal year, the fair value of the City's deposits with the LGIP approximately equals the value of the pool shares.

Interest rate risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial risk

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's LGIP. The City's investment is in compliance with State statutes. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is unrated for credit risk.

A copy of the State's Comprehensive Annual Financial Report may be obtained online at www.ost.state.or.us or by mail at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

Concentration of credit risk

At June 30, the City had 78% of total deposits and investments in the Oregon State Treasury's LGIP. The City places no limit on the amount the City may invest in any one issuer.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

B. RECEIVABLES

Receivables at June 30 consist of the following:

	<u>Property Taxes</u>	<u>Accounts Receiv- able</u>	<u>Inter- governmental</u>	<u>Notes & Loans Receivable</u>	<u>Total</u>
Governmental					
General Fund	\$ 148,114	\$ 63,747	\$ 65,320	\$ 0	\$ 277,181
Street Fund	0	3,955	29,895	0	33,850
Urban Renewal Agency	11,225	1,496	0	0	12,721
Other Government Funds	<u>0</u>	<u>36,925</u>	<u>2,570</u>	<u>20,862</u>	<u>60,357</u>
Total Governmental	<u>159,339</u>	<u>106,123</u>	<u>97,785</u>	<u>20,862</u>	<u>384,109</u>
Business-Type					
Water Fund	0	85,274	0	0	85,274
Wastewater Fund	0	188,444	0	0	188,444
Stormwater Fund	<u>0</u>	<u>7,722</u>	<u>1,224</u>	<u>0</u>	<u>8,946</u>
Total Business-Type	<u>0</u>	<u>281,440</u>	<u>1,224</u>	<u>0</u>	<u>282,664</u>
 Total	 <u>\$ 159,339</u>	 <u>\$ 387,563</u>	 <u>\$ 99,009</u>	 <u>\$ 20,862</u>	 <u>\$ 666,773</u>

The City reports unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The City also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported are as follows:

	<u>Government Unavailable</u>	<u>Business Unearned</u>
Property Taxes		
General Fund	\$ 126,354	
Urban Renewal Agency	10,102	
Unearned Utility Billing		\$ 28,318
Customer Deposits		
Water Fund		20,792
Wastewater Fund		56,104
Stormwater Fund		<u>3,075</u>
 Total	 <u>\$ 136,456</u>	 <u>\$ 108,289</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

B. RECEIVABLES

Accounts Receivable

Uncollected accounts receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible has been established.

Notes Receivable

The City has an agreement with U.S. Department of Housing and Urban Development (HUD) in which qualifying individual property owners receive financing from HUD for the purposes of rehabilitating their properties. These loans are managed by the City and repayments are to be used to finance additional loans to new qualifying property owners in the future. The balance of these notes as of June 30 was \$20,862.

Property Taxes Receivable

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Taxes collected within approximately sixty days of the fiscal year end are recognized as revenue, and the remaining balance of property taxes receivable is recorded as deferred revenue as it is not considered available to finance operations of the current period. Uncollected property taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

C. CAPITAL ASSETS

Capital asset activity for year end June 30, was as follows:

	<u>7/01</u> <u>Balance</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>6/30</u> <u>Balance</u>
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 769,681	\$ 41,391	\$ 0	\$ 811,072
Construction in progress	<u>52,900</u>	<u>386,646</u>	<u>(50,000)</u>	<u>389,546</u>
Total capital assets not being depreciated	<u>822,581</u>	<u>428,037</u>	<u>(50,000)</u>	<u>1,200,618</u>
Capital assets, being depreciated				
Building	2,691,355	0	0	2,691,355
Machinery and equipment	3,180,162	130,922	0	3,311,084
Infrastructure	<u>1,549,737</u>	<u>78,987</u>	<u>0</u>	<u>1,628,724</u>
Total capital assets being depreciated	<u>7,421,254</u>	<u>209,909</u>	<u>0</u>	<u>7,631,163</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

	<u>7/01</u> <u>Balance</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>6/30</u> <u>Balance</u>
Governmental Activities				
Less - accum. depreciation				
Building	(1,810,866)	(67,252)	0	(1,878,118)
Machinery and equipment	(2,047,672)	(399,150)	0	(2,446,822)
Infrastructure	<u>(818,096)</u>	<u>(37,760)</u>	<u>0</u>	<u>(855,856)</u>
Total accum. depreciation	<u>(4,676,634)</u>	<u>(504,162)</u>	<u>0</u>	<u>(5,180,796)</u>
Total capital assets, net of depreciation	<u>2,744,620</u>	<u>(294,253)</u>	<u>0</u>	<u>2,450,367</u>
Governmental activities capital assets, net	<u>\$ 3,567,201</u>	<u>\$ 133,784</u>	<u>\$ (50,000)</u>	<u>\$ 3,650,985</u>
Business-type Activities				
Assets not being depreciated				
Land	\$ 112,836	\$ 0	\$ 0	\$ 112,836
Construction in progress	<u>430,288</u>	<u>610,851</u>	<u>(4,858)</u>	<u>1,036,281</u>
Total assets not being depreciated	<u>543,124</u>	<u>610,851</u>	<u>(4,858)</u>	<u>1,149,117</u>
Assets being depreciated				
Buildings and improvements	707,468	0	0	707,468
Machinery and equipment	362,767	50,621	0	413,388
Systems	<u>30,219,409</u>	<u>51,060</u>	<u>0</u>	<u>30,270,469</u>
Total capital assets, being depreciated	<u>31,289,644</u>	<u>101,681</u>	<u>0</u>	<u>31,391,325</u>
Less - accum. depreciation				
Building and improvements	(359,640)	(30,461)	0	(390,101)
Machinery and equipment	(283,840)	(22,622)	0	(306,462)
Systems	<u>(9,117,906)</u>	<u>(733,199)</u>	<u>0</u>	<u>(9,851,105)</u>
Total accum. depreciation	<u>(9,761,386)</u>	<u>(786,282)</u>	<u>0</u>	<u>(10,547,668)</u>
Total capital assets, net of depreciation	<u>21,528,258</u>	<u>(684,601)</u>	<u>0</u>	<u>20,843,657</u>
Business-type activities Capital assets, net	<u>\$ 22,071,382</u>	<u>\$ (73,750)</u>	<u>\$ (4,858)</u>	<u>\$ 21,992,774</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>Balance</u>
Governmental activities	
General government	\$ 29,501
Public safety	64,234
Highways and streets	32,003
Culture and recreation	<u>378,424</u>
Total dep. exp. - gov. act.	<u>\$ 504,162</u>
 Business-type activities	
Water	\$ 222,446
Wastewater	525,295
Stormwater	8,420
Dunes NRA lease	<u>30,124</u>
Total dep. exp. - bus. type act.	<u>\$ 786,285</u>

D. INTERFUND TRANSFERS

	<u>Transfers In</u>						
	<u>General Fund</u>	<u>Water Fund</u>	<u>Waste-water Funds</u>	<u>Storm-water Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>URA Main St. Fund</u>	<u>Total Out</u>
Transfer Out							
General Fund	\$ 0	\$ 0	\$ 0	\$ 41,000	\$ 89,600	\$ 0	\$ 130,600
Street Fund	12,500	0	0	10,000	98,150	0	120,650
Nonmajor Govn't Funds	1,572	0	0	0	0	0	1,572
Water Fund	46,150	176,150	0	0	0	0	222,300
Wastewater Fund	79,250	0	1,062,780	10,000	0	0	1,152,030
Stormwater Fund	1,850	0	0	23,000	0	0	24,850
Dune NRA Lease Fund	4,700	0	0	0	48,400	0	53,100
URA	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>20,000</u>	<u>170,000</u>
 Total transfers in	<u>\$ 146,022</u>	<u>\$176,150</u>	<u>\$1,062,780</u>	<u>\$234,000</u>	<u>\$ 236,150</u>	<u>\$ 20,000</u>	<u>\$1,875,102</u>

The purpose of inter-fund transfers in the enterprise funds is primarily to build reserves for future capital expenditures and projects. Inter-fund transfers in the governmental funds are primarily to provide resources to funds which are not self-supporting.

Due To/From Other Funds

The General Fund owes the Riverfront Fund \$13,390 as of June 30, for unremitted tourism taxes at year end.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

During the year ended June 30, the following changes occurred in long-term liabilities:

	<u>Original Amount</u>	<u>7/01 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30 Balance</u>	<u>Due Within One Year</u>
Governmental Type						
Compensated absences		\$ 103,646	\$ 0	\$ (16)	\$ 103,630	\$ 60,624
Business Type						
Bonds payable						
DEQ Bond	\$10,334,358	<u>9,853,223</u>	<u>0</u>	<u>(436,603)</u>	<u>9,416,620</u>	<u>342,736</u>
Loans payable						
OECD Water SPWF	304,638	151,871	0	(151,871)	0	0
OECD SPWF	2,250,000	<u>1,978,900</u>	<u>0</u>	<u>(62,030)</u>	<u>1,916,870</u>	<u>64,921</u>
Total loans payable		<u>2,130,771</u>	<u>0</u>	<u>(213,901)</u>	<u>1,916,870</u>	<u>64,921</u>
Note payable						
Hatcher Land Purchase	65,000	<u>37,366</u>	<u>0</u>	<u>(5,864)</u>	<u>31,502</u>	<u>6,143</u>
Compensated absences		<u>55,114</u>	<u>4,889</u>	<u>0</u>	<u>60,003</u>	<u>35,102</u>
Total business type		<u>12,076,474</u>	<u>4,889</u>	<u>(656,368)</u>	<u>11,424,995</u>	<u>448,902</u>
Total long-term liabilities		<u>\$12,180,120</u>	<u>\$ 4,889</u>	<u>\$ (656,384)</u>	<u>\$11,528,625</u>	<u>\$ 509,526</u>

Total interest expense was \$235,348 with none subject to capitalization.

Compensated Absences

Compensated absences are liquidated primarily by the general, street, water, wastewater, and stormwater funds.

Bonds Payable - Business Type

The City issued revenue bonds to provide funds for the acquisition and construction of major capital water improvements. The bonds have terms as follows:

In May 2015, the City issued \$10,334,358 of thirty year bonds to refinance the DEQ revolving loan for the wastewater collection system and treatment plan improvements in 2004. The new bonds call for semi annual payments of \$236,687, including interest at 1.4%. Also, payable annually are fees of 5% on the outstanding bond amount determined prior to the posting of the payment due on that date. The balance on the bonds at June 30 was \$9,416,620 and it matures in 2041.

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

Bonds Payable - Business Type

Revenue bonds are direct obligations of the proprietary funds and pledge the revenues of each utility.

Loans Payable - Business Type

On December 1, 2003, the City entered into a \$304,638 twenty year loan agreement with the State of Oregon Economic Development Department to assist in the construction of new water lines. The note bears an interest rate of 4.17%, with annual payments due on December 1, including interest, maturing 2024. The balance was paid off in this year.

In August 2006, the City obtained a revolving Special Public Works Fund loan through the Oregon Economic and Community Development Department (OECDD) for \$2,250,000 bearing an interest rate of 4.66%. The balance due on the loan at June 30 is \$1,916,870, with the loan maturing 2032.

In March 2012, the City entered into a contract to purchase real property for \$65,000. The purchase price consists of a down payment of \$5,000 and a \$60,000 note bearing an interest rate of 4%. The balance due on the note at June 30 was \$31,502, with the note maturing in 2022.

Below is a summary of future business type debt obligations:

Fiscal Year Ending 6-30	Revenue Bonds		Loans Payable		Total	
	Principal	Fees and Interest	Principal	Fees and Interest	Principal	Fees and Interest
2018	\$ 342,736	\$ 176,868	\$ 71,064	\$ 90,473	\$ 413,800	\$ 267,341
2019	347,552	170,326	74,339	87,198	421,891	257,524
2020	352,435	163,693	77,766	83,770	430,201	247,463
2021	357,387	156,965	81,351	80,186	438,738	237,151
2022	362,408	150,146	83,283	76,441	445,691	226,587
2023-27	1,889,853	336,022	447,426	323,809	2,337,279	659,831
2028-32	2,009,657	482,285	561,855	209,380	2,571,512	691,665
2033-41	<u>3,754,592</u>	<u>361,563</u>	<u>551,288</u>	<u>65,685</u>	<u>4,305,880</u>	<u>427,248</u>
Total	<u>\$ 9,416,620</u>	<u>\$1,997,868</u>	<u>\$ 1,948,372</u>	<u>\$1,016,942</u>	<u>\$11,364,992</u>	<u>\$ 3,014,810</u>

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report (CAFR) and Actuarial Valuation that can be obtained by writing to: Oregon PERS, PO Box 23700, Tigard OR 97281-3700 or at: http://www.oregon.gov/PERS/EMP/Pages/section/er_general_information/gasb-68.aspx.

1. PERS Tier One/Tier Two Pension (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options including survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.9 percent for police and fire employees, 1.67 percent for general service members respectively) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981), or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or had reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members, 55 for general service members respectively). Participants are eligible for retirement after reaching ages 50 and 55 for police/fire members and general service members respectively. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 25 years of service, Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

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

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

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

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

The cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits over \$60,000.

2. OPSRP Defined Benefit Pension Program (238A)

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

Police and fire: 1.8 percent is multiplied by the number of years of service and final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit.

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

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

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

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through COLAs.

The cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits over \$60,000.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

3. OPSRP Individual Account Program (238A)

Pension Benefits - An OPSRP Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement a member of the OPSRP IAP may receive amounts in his or her employee, rollover, and vested employer accounts as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20- year period or an anticipated lifespan option. Each distribution option has a \$200 minimum distribution limit.

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

Recordkeeping - PERS contracts with Voya Financial to maintain IAP participant records.

Contributions:

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the OPERS defined benefit plan and the other Post-Employment Benefit Plans. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. This was not the case for the City for the fiscal year ending June 30, 2017 or for any other periods reflected in these Financial Statements, the Notes to the Financial Statements, or the Supplementary Information section. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2015. City contributions for the year ending June 30, 2017 were \$27,685, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 9.71 percent for Tier One/Tier Two General Service and Fire Members, 1.78 percent of OPSRP General Service Members, and 6 percent for OPSRP Individual Account Members.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Net Pension Liability

At June 30, 2017, the City reported a net pension liability of \$1,580,685 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2016, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The City's proportionate share of the system-wide net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. These proportion percentages for the City were 0.01052925 and 0.00806986 for the fiscal years ending June 30, 2016 and 2015 respectively. For the year ended June 30, 2017, the City recognized pension expense (income) of \$606,306. At June 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 52,296	\$ 0
Changes in assumptions	337,122	0
Net difference between projected and actual earnings on investments	312,277	0
Changes in proportionate share	164,664	0
Contributions made subsequent to measurement date	27,365	0
Differences between employer contributions and employer's proportionate share of system contributions	<u>0</u>	<u>97,984</u>
Total	<u>\$ 893,724</u>	<u>\$ 97,984</u>

Deferred outflows of resources of \$27,365 relates to pensions resulting from City contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Year Ended <u>June 30</u>	Deferred Outflow/(Inflow) of resources (prior to post- <u>measurement date contributions)</u>
2018	\$ 140,386
2019	140,386
2020	256,804
2021	200,003
2022	30,796
Thereafter	<u>0</u>
Total	<u>\$ 768,375</u>

Actuarial Valuations

The employer contribution rates effective July 1, 2015 through June 30, 2017, and effective July 1, 2017 through June 30, 2019, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Assumptions:	
Inflation Rate	2.50% (reduced from 2.75%)
Long-Term Expected Rate of Return	7.50% (reduced from 7.75%)
Discount Rate	7.50% (reduced from 7.75%)
Projected Salary Increases	3.50% (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	<i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. <i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <i>Disabled retirees:</i> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000, Sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2015 experience study, which reviewed experience for the four-year period ending December 31, 2015.

CITY OF REEDSPORT, OREGON
NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private equity	13.5	21.5	17.5
Real estate	9.5	15.5	12.5
Alternative equity	0	12.5	12.5
Opportunity portfolio	0	3.0	0
Total			100.0%

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.0%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event - driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	<u>1.88%</u>	4.58%
Total	<u><u>100.02%</u></u>	
Assumed Inflation - Mean		2.50%

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Discount Rate

The following presents the City's net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) and one percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50)%</u>	<u>Current Disc. Rate (7.50)%</u>	<u>1% Increase (8.50)%</u>
Net Pension Liability (Asset)	\$ <u>2,552,279</u>	\$ <u>1,580,685</u>	\$ <u>768,602</u>

Changes in Plan Provisions from Prior Measurement Date

We are aware of no changes in plan provisions from the June 30, 2015 measurement date.

Changes in Plan Provisions Subsequent to Measurement Date

We are aware of no changes in plan provisions subsequent to the June 30, 2016 measurement date.

G. OPSRP IAP (INDIVIDUAL ACCOUNT PROGRAM) DESCRIPTION

Record Keeping

PERS contracts with VOYA Financial to maintain IAP participant records.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

H. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Description

As a member of OPERS, the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer defined benefit other post-employment benefit plan (OPEB) administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.53 and 0.45 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2017, 2016, and 2015 were paid and equaled the required contributions for each year.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2017

NOTE 5 - OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; tort; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Commitments and Contingencies

The City is aware of several matters of litigation claims. Although the outcomes cannot be determined, it is the opinion that settlement of these matters will not have a material effect on the combined financial position and results of operations of the City.

Evaluation of Subsequent Events

The City has evaluated subsequent events through January 26, 2018, the date which the financial statements were available to be issued.

**CITY OF REEDSPORT
OREGON**

REQUIRED SUPPLEMENTAL SECTION

CITY OF REEDSPORT, OREGON

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET) as of June 30, 2017

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal Year Ended	City's Proportion of the Net Pension (Asset)/Liability	City's Proportionate Share of the Net Pension (Asset)/Liability	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2014	0.00564%	\$ 287,715	\$ 1,222,134	23.54%	92.0%
2015	0.00564	(127,797)	1,278,078	(9.99)	103.6
2016	0.00807	463,328	1,333,845	34.74	91.9
2017	0.01053	1,580,685	1,380,965	114.46	80.5

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

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

CITY OF REEDSPORT, OREGON

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
as of June 30, 2017**

**OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Four Fiscal Years**

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency /(Excess)	City's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 34,096	\$ 34,028	\$ 68	\$ 1,275,078	2.67 %
2015	35,380	35,997	(617)	1,333,845	2.65
2016	34,392	34,860	(468)	1,380,965	2.49
2017	27,685	27,685	0	1,548,055	1.79

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

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

CITY OF REEDSPORT, OREGON

NOTES TO THE SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED CONTRIBUTIONS for the Year Ended June 30, 2017

Changes in Benefit Terms

We are aware of no changes in plan provisions from the June 30, 2015 measurement date.

Changes in Assumptions

Details and a comprehensive list of changes and methods and assumptions can be found in the 2012, 2014 and 2016 Experience Studies for the System, which were published on September 18, 2013, September 23, 2015 and July 26, 2017. These reports can be found at: www.oregon.gov/PERS/Pages/section/financial_reports/mercereports

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 1,240,000	\$ 1,240,000	\$ 1,307,590	\$ 67,590
Franchise taxes	170,000	170,000	206,811	36,811
Alcohol taxes	45,000	45,000	68,549	23,549
Lodging taxes	200,000	200,000	214,199	14,199
Other taxes	28,500	28,500	36,189	7,689
Licenses and permits	55,900	55,900	72,118	16,218
Intergovernmental revenues	40,000	40,000	44,830	4,830
Charges for services	93,605	93,605	99,489	5,884
Fines and penalties	100,000	100,000	119,507	19,507
Investment earnings	5,450	5,450	12,813	7,363
Land sales	0	0	1,701	1,701
Other revenue	21,800	21,800	90,701	68,901
Grants and contracts	88,200	88,200	84,918	(3,282)
Total revenues	<u>2,088,455</u>	<u>2,088,455</u>	<u>2,359,415</u>	<u>270,961</u>
EXPENDITURES				
City council	10,300	10,300	4,800	5,500
City manager	151,320	151,320	136,882	14,438
Finance	76,620	76,620	68,078	8,542
Legal services	35,000	35,000	11,963	23,037
Municipal court	114,590	114,590	88,217	26,373
Community development	43,500	43,500	33,930	9,570
City recorder	30,000	30,000	27,872	2,128
Community building	22,750	22,750	22,655	95
Nondepartmental	367,790	397,790	283,830	113,960
Police	1,209,475	1,209,475	1,099,643	109,832
Special police operations	71,735	71,735	63,530	8,205
Municipal jail	7,750	7,750	6,168	1,582
Fire	116,550	116,550	99,107	17,443
Building inspection	33,345	33,345	34,673	(1,328)
Animal control	22,550	22,550	4,150	18,400
Public service	153,700	150,650	130,782	19,868
Library	18,190	18,190	17,024	1,166
Senior center	16,745	19,795	19,762	33
Dial-A-Ride	43,995	43,995	34,109	9,886
Contingency	100,000	100,000	0	100,000
Total expenditures	<u>2,645,905</u>	<u>2,675,905</u>	<u>2,187,175</u>	<u>488,730</u>
Excess (def) of revenues over expenditures	<u>(557,450)</u>	<u>(587,450)</u>	<u>172,240</u>	<u>759,690</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	148,050	148,050	146,022	(2,028)
Transfers out	(130,600)	(130,600)	(130,600)	0
Total other financing sources (uses)	<u>17,450</u>	<u>17,450</u>	<u>15,422</u>	<u>2,028</u>
Excess (def) of revenues over expenditures and transfers	(540,000)	(570,000)	187,662	757,662
Unappropriated ending fund balance	(310,000)	(310,000)	0	310,000
GAAP ADJUSTMENT				
Compensated absences	0	0	578	578
FUND BALANCE - Beginning of year	<u>850,000</u>	<u>880,000</u>	<u>1,066,331</u>	<u>186,331</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,254,571</u>	<u>\$ 1,254,571</u>

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

STREET FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Fuel taxes	\$ 278,700	\$ 374,446	\$ 95,746
Investment earnings	300	945	645
Other revenue	<u>500</u>	<u>2,923</u>	<u>2,423</u>
 Total revenues	 <u>279,500</u>	 <u>378,314</u>	 <u>98,815</u>
EXPENDITURES			
Personnel services	57,270	50,552	6,718
Materials and services	121,580	122,265	(685)
Capital outlay	25,000	7,851	17,149
Contingency	<u>15,000</u>	<u>0</u>	<u>15,000</u>
 Total expenditures	 <u>218,850</u>	 <u>180,668</u>	 <u>38,182</u>
 Excess (def) of revenues over expenditures	 60,650	 197,646	 136,996
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(120,650)</u>	<u>(120,650)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (60,000)	 76,996	 136,996
GAAP ADJUSTMENT			
Compensated absences	0	(779)	(779)
 FUND BALANCE - Beginning of year	 <u>60,000</u>	 <u>74,037</u>	 <u>14,037</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 150,254</u>	 <u>\$ 150,254</u>

**CITY OF REEDSPORT
OREGON**

**SUPPLEMENTAL INFORMATION SECTION
Major Governmental Funds**

CITY OF REEDSPORT. OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

REEDSPORT URBAN RENEWAL AGENCY - SPECIAL REVENUE

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 103,000	\$ 110,471	\$ 7,471
Investment earnings	820	1,391	571
Other revenue	<u>0</u>	<u>176</u>	<u>176</u>
 Total revenue	 <u>103,820</u>	 <u>112,038</u>	 <u>8,218</u>
 EXPENDITURES			
Materials and services	3,950	3,643	307
Capital outlay	100,450	4,532	95,918
Debt service	<u>7,420</u>	<u>6,792</u>	<u>628</u>
 Total expenditures	 <u>111,820</u>	 <u>14,967</u>	 <u>96,853</u>
 Excess (def) of revenues over expenditures	 (8,000)	 97,071	 105,071
 OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(170,000)</u>	<u>(170,000)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (178,000)	 (72,929)	 105,071
 FUND BALANCE - Beginning of year	 <u>178,000</u>	 <u>178,811</u>	 <u>811</u>
 FUND BALANCE - End of year	 <u><u>\$ 0</u></u>	 <u><u>\$ 105,882</u></u>	 <u><u>\$ 105,882</u></u>

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

REEDSPORT URBAN RENEWAL AGENCY - MAIN STREET

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 16,100	\$ 0	\$ (16,100)
Interest earnings	30	351	(351)
Grants and other revenue	<u>0</u>	<u>18,730</u>	<u>18,730</u>
 Total revenues	 <u>16,130</u>	 <u>19,081</u>	 <u>2,280</u>
EXPENDITURES			
Materials and services	24,550	23,627	923
Capital outlay	<u>55,535</u>	<u>15,341</u>	<u>40,194</u>
 Total expenditures	 <u>80,085</u>	 <u>38,968</u>	 <u>41,117</u>
 Excess (def) of revenues over expenditures	 (63,955)	 (19,887)	 44,068
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (43,955)	 113	 44,068
 FUND BALANCE - Beginning of year	 <u>43,955</u>	 <u>41,727</u>	 <u>(2,228)</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 41,840</u>	 <u>\$ 41,840</u>

**CITY OF REEDSPORT
OREGON**

Nonmajor Governmental Funds

CITY OF REEDSPORT, OREGON

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
as of June 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 299,751	\$ 973,270	\$ 1,273,021
Receivables			
Accounts	6,329	0	6,329
Intergovernmental	2,570	30,596	33,166
Due from other funds	13,398	0	13,398
Notes	0	20,862	20,862
Inventories	<u>28,962</u>	<u>0</u>	<u>28,962</u>
 Total assets	 <u>\$ 351,010</u>	 <u>\$ 1,024,728</u>	 <u>\$ 1,375,738</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 5,799	\$ 2,707	\$ 8,506
Payroll and related liabilities	<u>5,169</u>	<u>0</u>	<u>5,169</u>
 Total liabilities	 <u>10,968</u>	 <u>2,707</u>	 <u>13,675</u>
 Fund Balance			
Committed - Capital projects	0	1,022,021	1,022,021
Committed - other	<u>340,042</u>	<u>0</u>	<u>340,042</u>
 Total fund balances	 <u>340,042</u>	 <u>1,022,021</u>	 <u>1,362,063</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 351,010</u>	 <u>\$ 1,024,728</u>	 <u>\$ 1,375,738</u>

CITY OF REEDSPORT, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS for the Year Ended June 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
REVENUES			
Taxes	\$ 35,636	\$ 0	\$ 35,636
Charges for services	98,000	0	98,000
Investment earnings	2,722	8,651	11,373
Grants	0	525,056	525,056
Miscellaneous	<u>18,740</u>	<u>411</u>	<u>19,151</u>
 Total revenues	 <u>155,098</u>	 <u>534,118</u>	 <u>689,216</u>
EXPENDITURES			
Culture and recreation	126,359	0	126,359
Public safety	3,169	0	3,169
Capital outlay	<u>0</u>	<u>597,984</u>	<u>597,984</u>
 Total expenditures	 <u>129,528</u>	 <u>597,984</u>	 <u>727,512</u>
 Excess (def) of revenues over expenditures	 <u>25,570</u>	 <u>(63,866)</u>	 <u>(38,296)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	27,500	208,650	236,150
Transfers out	<u>(972)</u>	<u>(600)</u>	<u>(1,572)</u>
 Total other financing sources (uses)	 <u>26,528</u>	 <u>208,050</u>	 <u>234,578</u>
 Excess (def) of revenues over expenditures and transfers	 52,098	 144,184	 196,282
 FUND BALANCES - Beg. of year	 <u>287,944</u>	 <u>877,837</u>	 <u>1,165,781</u>
 FUND BALANCES - End of year	 <u>\$ 340,042</u>	 <u>\$ 1,022,021</u>	 <u>\$ 1,362,063</u>

**CITY OF REEDSPORT
OREGON**

**GOVERNMENTAL
Nonmajor - Special Revenue Funds**

CITY OF REEDSPORT, OREGON

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
as of June 30, 2017**

	<u>Bicycle/Footpath Fund</u>	<u>Fire Equipment Fund</u>	<u>Riverfront Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 41,788	\$ 176,605	\$ 81,358	\$ 299,751
Receivables				
Accounts	0	6,329	0	6,329
Intergovernmental	214	2,356	0	2,570
Due from other funds	0	0	13,398	13,398
Inventories	<u>0</u>	<u>0</u>	<u>28,962</u>	<u>28,962</u>
 Total assets	 <u>\$ 42,002</u>	 <u>\$ 185,290</u>	 <u>\$ 123,718</u>	 <u>\$ 351,010</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 0	\$ 0	\$ 5,799	\$ 5,799
Payroll and related liabilities	<u>0</u>	<u>0</u>	<u>5,169</u>	<u>5,169</u>
 Total liabilities	 0	 0	 10,968	 10,968
Fund Balance				
Committed	<u>42,002</u>	<u>185,290</u>	<u>112,750</u>	<u>340,042</u>
 Total liabilities and fund balance	 <u>\$ 42,002</u>	 <u>\$ 185,290</u>	 <u>\$ 123,718</u>	 <u>\$ 351,010</u>

CITY OF REEDSPORT, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS for the Year Ended June 30, 2017**

	Bicycle/Footpath Fund	Fire Equipment Fund	Riverfront Fund	Total
REVENUES				
Taxes	\$ 2,702	\$ 0	\$ 32,934	\$ 35,636
Charges for services	0	15,418	82,582	98,000
Investment earnings	382	1,614	726	2,722
Miscellaneous	0	0	18,740	18,740
Total revenues	<u>3,084</u>	<u>17,032</u>	<u>134,982</u>	<u>155,098</u>
EXPENDITURES				
Culture and recreation	0	0	126,359	126,359
Public Safety	0	3,169	0	3,169
Total expenditures	<u>0</u>	<u>3,169</u>	<u>126,359</u>	<u>129,528</u>
Excess (def) of revenues over expenditures	<u>3,084</u>	<u>13,863</u>	<u>8,623</u>	<u>25,570</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	0	15,000	12,500	27,500
Transfers out	0	(972)	0	(972)
Total other financing sources (uses)	<u>0</u>	<u>14,028</u>	<u>12,500</u>	<u>26,528</u>
Excess (def) of revenues over expenditures and transfers	3,084	27,891	21,123	52,098
FUND BALANCES - Beginning of year	<u>38,918</u>	<u>157,399</u>	<u>91,627</u>	<u>287,944</u>
FUND BALANCES - End of year	<u>\$ 42,002</u>	<u>\$ 185,290</u>	<u>\$ 112,750</u>	<u>\$ 340,042</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

BICYCLE/FOOTPATH FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fuel taxes	\$ 2,250	\$ 2,702	\$ 452
Investment earnings	<u>150</u>	<u>382</u>	<u>232</u>
Total revenues	2,400	3,084	684
EXPENDITURES			
Capital outlay	<u>41,200</u>	<u>0</u>	<u>41,200</u>
Excess (def) of revenues over expenditures	(38,800)	3,084	41,884
FUND BALANCE - Beginning of year	<u>38,800</u>	<u>38,918</u>	<u>118</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 42,002</u>	<u>\$ 42,002</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

FIRE EQUIPMENT FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Charges for services	\$ 9,700	\$ 15,418	\$ 5,718
Investment earnings	400	1,614	1,214
 Total revenues	 <u>10,100</u>	 <u>17,032</u>	 <u>6,933</u>
EXPENDITURES			
Materials and services	5,000	279	4,721
Capital outlay	167,100	2,890	164,210
 Total expenditures	 <u>172,100</u>	 <u>3,169</u>	 <u>168,931</u>
 Excess (def) of revenues over expenditures	 <u>(162,000)</u>	 <u>13,863</u>	 <u>175,863</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	15,000	0
Transfers out	(3,000)	(972)	2,028
 Total other financing sources (uses)	 <u>12,000</u>	 <u>14,028</u>	 <u>2,028</u>
 Excess (def) of revenues over expenditures and transfers	 <u>(150,000)</u>	 <u>27,891</u>	 <u>177,891</u>
 FUND BALANCE - Beginning of year	 <u>150,000</u>	 <u>157,399</u>	 <u>7,399</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 185,290</u>	 <u>\$ 185,290</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

RIVERFRONT FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Lodging taxes	\$ 20,000	\$ 32,934	\$ 12,934
Charges for services	70,450	82,582	12,132
Investment earnings	175	726	551
Other revenue	<u>15,400</u>	<u>18,740</u>	<u>3,340</u>
 Total revenues	 <u>106,025</u>	 <u>134,982</u>	 <u>28,958</u>
EXPENDITURES			
Personnel services	77,840	74,722	3,118
Materials and services	<u>73,685</u>	<u>51,852</u>	<u>21,833</u>
 Total expenditures	 <u>151,525</u>	 <u>126,573</u>	 <u>24,952</u>
 Excess (def) of revenues over expenditures	 (45,500)	 8,409	 53,909
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>12,500</u>	<u>12,500</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (33,000)	 20,909	 53,909
GAAP ADJUSTMENT			
Compensated absences	0	214	214
 FUND BALANCE - Beginning of year	 <u>33,000</u>	 <u>91,627</u>	 <u>58,627</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 112,750</u>	 <u>\$ 112,750</u>

**CITY OF REEDSPORT
OREGON**

**GOVERNMENTAL
Nonmajor - Capital Projects Funds**

CITY OF REEDSPORT, OREGON

**COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
as of June 30, 2017**

	<u>General Capital Improvement Fund</u>	<u>Street Capital Equipment Fund</u>	<u>Library Renovation Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 419,770	\$ 553,500	\$ 0	\$ 973,270
Intergovernmental receivable	30,596	0	0	30,596
Notes receivable	<u>20,862</u>	<u>0</u>	<u>0</u>	<u>20,862</u>
 Total assets	 <u>\$ 471,228</u>	 <u>\$ 553,500</u>	 <u>\$ 0</u>	 <u>\$ 1,024,728</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities	\$ 2,707	\$ 0	\$ 0	\$ 2,707
Fund Balance				
Committed	<u>468,521</u>	<u>553,500</u>	<u>0</u>	<u>1,022,021</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 471,228</u>	 <u>\$ 553,500</u>	 <u>\$ 0</u>	 <u>\$ 1,024,728</u>

CITY OF REEDSPORT, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS for the Year Ended June 30, 2017**

	<u>General Capital Improvement Fund</u>	<u>Street Capital Equipment Fund</u>	<u>Library Renovation Fund</u>	<u>Total</u>
REVENUES				
Interest earnings	\$ 3,460	\$ 5,191	\$ 0	\$ 8,651
Grants	500,056	25,000	0	525,056
Miscellaneous	411	0	0	411
Total revenues	<u>503,927</u>	<u>30,191</u>	<u>0</u>	<u>534,118</u>
EXPENDITURES				
Capital outlay	<u>508,231</u>	<u>89,753</u>	<u>0</u>	<u>597,984</u>
Total expenditures	<u>508,231</u>	<u>89,753</u>	<u>0</u>	<u>597,984</u>
Excess (def) of revenues over expenditures	(4,304)	(59,562)	0	(63,866)
OTHER FINANCING SOURCES (USES)				
Transfers out	0	0	(600)	(600)
Transfers in	<u>110,500</u>	<u>98,150</u>	<u>0</u>	<u>208,650</u>
Excess (def) of revenues over expenditures and transfers	106,196	38,588	(600)	144,184
FUND BALANCES - Beginning of year	<u>362,325</u>	<u>514,912</u>	<u>600</u>	<u>877,837</u>
FUND BALANCES - End of year	<u>\$ 468,521</u>	<u>\$ 553,500</u>	<u>\$ 0</u>	<u>\$ 1,022,021</u>

CITY OF REEDSPORT. OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

GENERAL CAPITAL IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Investment earnings	\$ 1,000	\$ 1,000	\$ 3,460	\$ 2,460
Other revenue	500	9,340	411	(8,929)
Grants and contracts	<u>0</u>	<u>542,695</u>	<u>500,056</u>	<u>(42,639)</u>
 Total revenues	 1,500	 553,035	 503,927	 (49,107)
EXPENDITURES				
Capital outlay	<u>343,800</u>	<u>895,335</u>	<u>508,231</u>	<u>387,104</u>
 Excess (def) of revenues over expenditures	 (342,300)	 (342,300)	 (4,304)	 337,996
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>110,500</u>	<u>110,500</u>	<u>110,500</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (231,800)	 (231,800)	 106,196	 337,996
Unappropriated ending fund balance	(108,200)	(108,200)	0	108,200
FUND BALANCE - Beg. of year(Budget basis)	<u>340,000</u>	<u>340,000</u>	<u>362,325</u>	<u>22,325</u>
FUND BALANCE - End of year(Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 468,521</u>	<u>\$ 468,521</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

STREET CAPITAL EQUIPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 1,500	\$ 5,191	\$ 3,691
ODOT SCA Grant	<u>50,000</u>	<u>25,000</u>	<u>(25,000)</u>
Total revenues	51,500	30,191	(21,309)
EXPENDITURES			
Capital outlay	<u>663,650</u>	<u>89,753</u>	<u>573,897</u>
Excess (def) of revenues over expenditures	(612,150)	(59,562)	552,588
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>98,150</u>	<u>98,150</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(514,000)	38,588	552,588
FUND BALANCE - Beginning of year	<u>514,000</u>	<u>514,912</u>	<u>912</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 553,500</u>	<u>\$ 553,500</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

LIBRARY RENOVATION FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 0	\$ 0	\$ 0
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Excess (def) of revenues over expenditures	0	0	0
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(600)</u>	<u>(600)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(600)	(600)	0
FUND BALANCE - Beginning of year	<u>600</u>	<u>600</u>	<u>0</u>
FUND BALANCE - End of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**CITY OF REEDSPORT
OREGON**

Proprietary Funds - Major Funds

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WATER UTILITY FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 782,000	\$ 775,099	\$ (6,901)
Investment earnings	2,200	3,756	1,556
Other revenue	<u>3,000</u>	<u>2,028</u>	<u>(972)</u>
 Total revenues	 <u>787,200</u>	 <u>780,883</u>	 <u>(6,316)</u>
EXPENDITURES			
Personnel services	332,670	305,877	26,793
Materials and services	325,230	233,599	91,631
Capital outlay	10,000	0	10,000
Contingency	<u>15,000</u>	<u>0</u>	<u>15,000</u>
 Total expenditures	 <u>682,900</u>	 <u>539,476</u>	 <u>143,424</u>
 Excess (def) of revenues over expenditures	 104,300	 241,407	 137,107
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(222,300)</u>	<u>(222,300)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (118,000)	 19,107	 137,107
 FUND BALANCE - Beg. of year (Budget basis)	 <u>118,000</u>	 <u>151,616</u>	 <u>33,616</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 170,723	 <u>\$ 170,723</u>
 GAAP Adjustments - Reconciled to June 2016		5,287,668	
Capital asset activity			
Additions		151,287	
Depreciation		(222,446)	
Pension activity, net		<u>(35,168)</u>	
 FUND BALANCE - End of Year		 <u>\$ 5,352,064</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WATER SYSTEM DEVELOPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 300	\$ 682	\$ 382
EXPENDITURES			
Capital outlay	<u>72,100</u>	<u>0</u>	<u>72,100</u>
Excess (def) of revenues over expenditures	(71,800)	682	72,482
FUND BALANCE - Beg. of year (Budget basis)	<u>71,800</u>	<u>71,995</u>	<u>195</u>
FUND BALANCE - End of year (Budget basis)	<u><u>\$ 0</u></u>	<u><u>\$ 72,677</u></u>	<u><u>\$ 72,677</u></u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WATER CAPITAL IMPROVEMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 5,000	\$ 15,047	\$ 10,047
EXPENDITURES			
Capital outlay	<u>1,781,150</u>	<u>446,990</u>	<u>1,334,160</u>
Excess (def) of revenues over expenditures	(1,776,150)	(431,943)	1,344,207
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>176,150</u>	<u>176,150</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(1,600,000)	(255,793)	1,344,207
FUND BALANCE - Beg. of year (Budget basis)	<u>1,600,000</u>	<u>1,585,247</u>	<u>(14,753)</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 1,329,454</u>	<u>\$ 1,329,454</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WATER SPWF DEBT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Grants	\$ 70,350	\$ 78,400	\$ 78,404	\$ 4
Interest earnings	<u>50</u>	<u>50</u>	<u>127</u>	<u>77</u>
Total revenues	70,400	78,450	78,531	81
EXPENDITURES				
Debt service	<u>154,600</u>	<u>162,650</u>	<u>156,808</u>	<u>5,842</u>
Excess (def) of revenues over expenditures	(84,200)	(84,200)	(78,277)	5,923
FUND BALANCE - Beg. of year (Budget basis)	<u>84,200</u>	<u>84,200</u>	<u>84,541</u>	<u>341</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	6,264	<u>\$ 6,264</u>
GAAP Adjustments - Reconciled to June 2016			(155,482)	
Long-term debt activity				
Principal payments			151,871	
Interest accrued			<u>3,543</u>	
FUND BALANCE - End of year (GAAP basis)			<u>\$ 6.196</u>	

CITY OF REEDSPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2017

WATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Water Utility Fund	\$ 780,883	\$ 761,776	\$ 19,107
Water Systems Development Fund	682	0	682
Water Capital Improvement Fund	191,197	446,990	(255,793)
Water SPWF Debt Fund	<u>78,531</u>	<u>156,808</u>	<u>(78,277)</u>
 Total budgetary basis	 <u>\$ 1,051,293</u>	 <u>\$ 1,365,574</u>	 (314,281)
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Additions			151,287
Depreciation			(222,446)
Long-term debt activity			
Principal payments			151,871
Interest accrued			3,543
Pension activity, net			<u>(35,168)</u>
 Change in net position			 (265,194)
 NET POSITION - Beginning of year			 <u>7,025,585</u>
 NET POSITION - End of year			 <u>\$ 6,760,391</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WASTEWATER UTILITY FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 1,833,000	\$ 1,833,505	\$ 505
Interest earnings	3,300	6,515	3,215
Other revenue	<u>2,000</u>	<u>2,917</u>	<u>917</u>
 Total revenues	 <u>1,838,300</u>	 <u>1,842,937</u>	 <u>4,638</u>
EXPENDITURES			
Personnel services	353,380	323,280	30,100
Materials and services	437,890	373,685	64,205
Capital outlay	145,000	10,420	134,580
Contingency	<u>50,000</u>	<u>0</u>	<u>50,000</u>
 Total expenditures	 <u>986,270</u>	 <u>707,385</u>	 <u>278,885</u>
 Excess (def) of revenues over expenditures	 852,030	 1,135,552	 283,522
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,152,030)</u>	<u>(1,152,030)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (300,000)	 (16,478)	 283,522
 FUND BALANCE - Beg. of year (Budget basis)	 <u>300,000</u>	 <u>358,448</u>	 <u>58,448</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 341,970	 <u>\$ 341,970</u>
 GAAP Adjustments - Reconciled to June 2016		15,877,941	
Capital asset activity			
Additions		83,720	
Despositions		(4,858)	
Depreciation		(525,295)	
Pension activity, net		<u>(27,740)</u>	
 FUND BALANCE - End of year		 <u>\$ 15,745,738</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WASTEWATER DEQ DEBT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 2,500	\$ 6,940	\$ 4,440
EXPENDITURES			
Debt Service	<u>573,380</u>	<u>573,374</u>	<u>6</u>
Excess (def) of revenues over expenditures	<u>(570,880)</u>	<u>(566,434)</u>	<u>4,446</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	573,380	573,380	0
Transfers out	<u>(422,585)</u>	<u>0</u>	<u>422,585</u>
Total other financing sources (uses)	<u>150,795</u>	<u>573,380</u>	<u>422,585</u>
Excess (def) of revenues over expenditures and transfers	(420,085)	6,946	427,031
Unappropriated ending fund balance	(387,515)	0	387,515
FUND BALANCE - Beg. of year (Budget basis)	<u>807,600</u>	<u>809,003</u>	<u>1,403</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	815,949	<u>\$ 815,949</u>
GAAP Adjustments - Reconciled to June 2016		(11,943,005)	
Long-term debt activity			
Principal payments		498,632	
Interest payments		<u>47,540</u>	
FUND BALANCE - End of year		<u>\$10,580,884</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WASTEWATER IFA DEBT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 250	\$ 816	\$ 566
EXPENDITURES			
Debt Service	<u>154,250</u>	<u>154,246</u>	<u>4</u>
Excess (def) of revenues over expenditures	(154,000)	(153,430)	570
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>154,250</u>	<u>154,250</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	250	820	570
Unappropriated ending fund balance	(101,520)	0	101,520
FUND BALANCE - Beg. of year (Budget basis)	<u>101,270</u>	<u>101,529</u>	<u>259</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 102,349</u>	<u>\$ 102,349</u>

CITY OF REEDSPORT. OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WASTEWATER SYSTEM DEVELOPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 550	\$ 1,426	\$ 876
SDC Fees	<u>0</u>	<u>150,000</u>	<u>150,000</u>
Total revenues	550	151,426	(150,876)
EXPENDITURES			
Capital outlay	<u>134,450</u>	<u>0</u>	<u>134,450</u>
Excess (def) of revenues over expenditures	(133,900)	151,426	285,326
FUND BALANCE - Beg. of year (Budget basis)	<u>133,900</u>	<u>134,171</u>	<u>271</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 285,597</u>	<u>\$ 285,597</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

WASTEWATER CAPITAL IMPROVEMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 5,500	\$ 19,138	\$ 13,638
EXPENDITURES			
Capital outlay	<u>2,240,650</u>	<u>135,665</u>	<u>2,104,985</u>
Excess (def) of revenues over expenditures	(2,235,150)	(116,527)	2,118,623
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>335,150</u>	<u>335,150</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(1,900,000)	218,623	2,118,623
FUND BALANCE - Beg. of year (Budget basis)	<u>1,900,000</u>	<u>1,866,686</u>	<u>(33,314)</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 2,085,309</u>	<u>\$ 2,085,309</u>

CITY OF REEDSPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2017

WASTEWATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Wastewater Utility Fund	\$ 1,842,937	\$ 1,859,415	\$ (16,478)
Wastewater DEQ Debt Fund	580,320	573,374	6,946
Wastewater IFA Debt Fund	155,066	154,246	820
Wastewater System Development Fund	151,426	0	151,426
Wastewater Capital Improvement Fund	<u>354,288</u>	<u>135,665</u>	<u>218,623</u>
 Total budgetary basis	 <u>\$ 3,084,037</u>	 <u>\$ 2,722,700</u>	 361,337
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Additions			83,720
Dispositions			(4,858)
Depreciation			(525,295)
Long-term debt activity			
Principal payments			498,632
Interest accrued			47,540
Pension activity, net			<u>(27,740)</u>
 Change in net position			 433,336
 NET POSITION - Beginning of year			 <u>7,204,773</u>
 NET POSITION - End of year			 <u>\$ 7,638,109</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

STORMWATER UTILITY FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Charges for services	\$ 73,000	\$ 72,808	\$ (192)
Interest earnings	250	800	550
Other revenue	<u>100</u>	<u>330</u>	<u>230</u>
Total revenues	<u>73,350</u>	<u>73,939</u>	<u>589</u>
EXPENDITURES			
Personnel services	19,075	18,929	146
Materials and services	37,375	22,452	14,923
Capital outlay	20,000	3,607	16,393
Contingency	<u>1,950</u>	<u>0</u>	<u>1,950</u>
Total expenditures	<u>78,400</u>	<u>44,989</u>	<u>33,411</u>
Excess (def) of revenues over expenditures	(5,050)	28,950	34,000
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(24,850)</u>	<u>(24,850)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(29,900)	4,100	34,000
FUND BALANCE - Beg. of year (Budget basis)	<u>35,000</u>	<u>58,035</u>	<u>23,035</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 5,100</u>	62,135	<u>\$ 57,035</u>
GAAP Adjustments - Reconciled to June 2016		466,924	
Capital asset activity			
Additions		477,525	
Depreciation		(8,420)	
Long-term debt activity			
Principal payments		5,864	
Interest accrued		175	
Pension activity, net		<u>(2,251)</u>	
FUND BALANCE - End of Year		<u>\$ 1,001,952</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

STORMWATER SYSTEM DEVELOPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 20	\$ 58	\$ 38
EXPENDITURES			
Capital outlay	<u>6,100</u>	<u>0</u>	<u>6,100</u>
Excess (def) of revenues over expenditures	(6,080)	58	6,138
FUND BALANCE - Beg. of year (Budget basis)	<u>6,080</u>	<u>6,091</u>	<u>11</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 6,149</u>	<u>\$ 6,149</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

STORMWATER CAPITAL IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Interest earnings	\$ 100	\$ 100	\$ 2,344	\$ (2,244)
Grant income	<u>50,000</u>	<u>137,000</u>	<u>136,893</u>	<u>107</u>
Total revenues	50,100	137,100	139,237	(2,137)
EXPENDITURES				
Capital outlay	<u>564,100</u>	<u>651,100</u>	<u>537,946</u>	<u>113,154</u>
Excess (def) of revenues over expenditures	(514,000)	(514,000)	(398,709)	115,291
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>234,000</u>	<u>234,000</u>	<u>234,000</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(280,000)	(280,000)	(164,709)	(115,291)
FUND BALANCE - Beg. of year (Budget basis)	<u>280,000</u>	<u>280,000</u>	<u>258,656</u>	<u>(21,344)</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,947</u>	<u>\$ 93,947</u>

CITY OF REEDSPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2017

STORMWATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Stormwater Utility Fund	\$ 73,938	\$ 69,838	\$ 4,100
Stormwater System Development Fund	58	0	58
Stormwater Capital Improvement Fund	<u>373,237</u>	<u>537,946</u>	<u>(164,709)</u>
 Total budgetary basis	 <u>\$ 447,233</u>	 <u>\$ 607,784</u>	 (160,551)
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Additions			477,525
Depreciation			(8,420)
Long-term debt activity			
Principal payments			5,864
Interest accrued			175
Pension activity, net			<u>(2,251)</u>
 Change in net position			 312,342
 NET POSITION - Beginning of year			 <u>789,706</u>
 NET POSITION - End of year			 <u>\$ 1,102,048</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL AND RECONCILIATION TO CHANGES IN NET POSITION
for the Year Ended June 30, 2017**

DUNES NRA LEASE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 95,000	\$ 95,784	\$ 784
Interest earnings	400	1,069	669
Other revenue	<u>200</u>	<u>243</u>	<u>43</u>
 Total revenues	 <u>95,600</u>	 <u>97,096</u>	 <u>1,497</u>
EXPENDITURES			
Personnel services	33,425	30,758	2,667
Materials and services	22,675	16,138	6,537
Capital outlay	<u>96,700</u>	<u>2,025</u>	<u>94,675</u>
 Total expenditures	 <u>152,800</u>	 <u>48,921</u>	 <u>103,879</u>
 Excess (def) of revenues over expenditures	 (57,200)	 48,175	 105,375
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(53,100)</u>	<u>(53,100)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (110,300)	 (4,925)	 105,375
 FUND BALANCE - Beg. of year (Budget basis)	 <u>110,300</u>	 <u>116,488</u>	 <u>6,188</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 111,563	 <u>\$ 111,563</u>
 GAAP Adjustments - Reconciled to June 2016		333,116	
Capital asset activity			
Depreciation		(30,124)	
Pension income (expense)		<u>(2,294)</u>	
 NET POSITION - End of year		 <u>\$ 412,261</u>	

**CITY OF REEDSPORT
OREGON**

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES
Certified Public Accountants

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Newport, OR 97365
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Fax (541) 265-9255
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**Independent Auditor's Report
Required by Oregon State Regulations**

Honorable Mayor and Members
of the City Council
City of Reedsport
Reedsport, Oregon

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reedsport as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Reedsport's basic financial statements and have issued my report thereon dated January 26, 2018. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Reedsport financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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

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

In connection with my testing nothing came to my attention that caused me to believe the City of Reedsport was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 except as follows:

Members:
AICPA OSCP & OAIA

Excess Expenditures Over Appropriations

City

General Fund - Building inspection	\$ 1,328
Street Fund - Materials and services	685

Internal Control Over Financial Reporting

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

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 entity'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

SIGNE GRIMSTAD

Certified Public Accountant
Newport, Oregon
January 26, 2018

GRIMSTAD & ASSOCIATES

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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Honorable Mayor and Members
of the City Council
City of Reedsport
Reedsport, Oregon

Lincoln City Office:
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Lincoln City, OR 97367
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I have audited, in accordance with the 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 Reedsport as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 26, 2018.

Internal Control Over Financial Reporting

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

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 entity'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 City of Reedsport's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results 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.

SIGNE GRIMSTAD

Certified Public Accountant

Newport, Oregon

January 26, 2018