

**CITY OF REEDSPORT  
OREGON**

**AUDIT REPORT**

**JUNE 30, 2018**

Prepared By  
**SIGNE GRIMSTAD**  
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CITY OF REEDSPORT, OREGON

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## **CITY OF REEDSPORT, OREGON**

### **LIST OF OFFICERS**

#### **CITY COUNCIL**

Mayor	Linda McCollum	100 River Bend Road #38 Reedsport, OR 97467
Councilor Position #1	Ellen Anderson	3615 Frontage Road #4 Reedsport, OR 97467
Councilor Position #2	DeeDee Murphy	100 Riverbend Road #120 Reedsport, OR 97467
Councilor Position #3	Leslee Collier	100 Riverbend Road #41 Reedsport, OR 97467
Councilor Position #4	Mark Bedard	2150 Fir Avenue. Reedsport, OR 97467
Councilor Position #5	Rich Patten	1913 Greenwood Avenue Reedsport, OR 97467
Councilor Position #6	Debby Turner	921 Ranch Road 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	Amy Muenchrath
Municipal Court Judge - Pro-Tempore	Muenchrath Law

# GRIMSTAD & ASSOCIATES

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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Newport, OR 97365  
(541) 265-5411  
Fax (541) 265-9255  
info@grimstad-assoc.com

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

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, 2018, 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, 2018, 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.

### Emphasis of Matter

The City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Note 4, I) for the year June 30, 2018. My opinion is not modified with respect to this matter.

Members:  
AICPA OSCP & OAI

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, PERS schedules and notes, and major fund budget and actual schedules 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.

The major fund budget and actual schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the major fund budget and actual schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Supplemental Information*

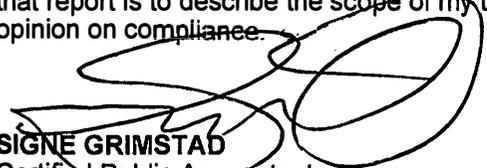
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedsport's basic financial statements. The combining statements, individual budget and actual schedules, and the reconciliation of budgetary schedules, as listed in the table 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, the 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 September 13, 2019, 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 grant 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 September 13, 2019 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  
September 13, 2019

# 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, 2018 (FY18).

## Financial Highlights

- At the close of FY18, the assets of the City exceeded its liabilities by \$22.8 million (*net position*); of this amount, \$5.25 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 \$891 thousand. The net position increase is mostly attributable to a decrease in liabilities in business-type activities.
- As of the close of FY18, the City's governmental funds reported a combined ending fund balance of \$6.48 million, an increase of \$472 thousand in comparison to the previous year. Approximately \$1.15 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 Combined General Fund was \$1.2 million, or 44 percent of total general fund expenditures.
- The City's total debt decreased by \$684 thousand during the current fiscal year. The major portion of the decrease is due to annual repayment of utility debts and 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. These statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information.

**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 (for example, 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 uses 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 10 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 the 2 urban renewal agency funds, all considered to be major funds. Data from the other 8 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 to demonstrate compliance with this budget.

**Proprietary funds.** The City has 4 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.

**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 non-major 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 \$22.8 million as of June 30, 2018.

By far the largest portion of the City's net position (70%) reflects its investment in capital assets (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	
	2018	Revised 2017	2018	2017	2018	Revised 2017
	Current and other assets	\$ 3,268	\$3,274	\$ 5,859	\$ 6,190	\$ 9,127
Capital assets	4,645	3,651	22,004	21,993	26,649	25,644
<b>Total assets</b>	<b>7,913</b>	<b>6,925</b>	<b>27,863</b>	<b>28,183</b>	<b>35,776</b>	<b>35,108</b>
Deferred outflow s	403	670	135	223	538	893
<b>Total assets and deferred outflow s</b>	<b>8,316</b>	<b>7,595</b>	<b>27,998</b>	<b>28,406</b>	<b>36,314</b>	<b>36,001</b>
Long-term liabilities outstanding	43	43	10,811	10,976	10,854	11,019
Other liabilities	632	283	468	1,097	1,100	1,380
Pension Liability	1,050	1,183	354	398	1,404	1,581
<b>Total liabilities</b>	<b>1,725</b>	<b>1,509</b>	<b>11,633</b>	<b>12,471</b>	<b>13,358</b>	<b>13,980</b>
Deferred inflow s	109	76	33	22	142	98
<b>Total liabilities and deferred inflow s</b>	<b>1,834</b>	<b>1,585</b>	<b>11,666</b>	<b>12,493</b>	<b>13,500</b>	<b>14,078</b>
<b>Net position:</b>						
Net invested in capital assets	4,645	3,651	11,342	10,628	15,987	14,279
Restricted	280	298	1,299	1,289	1,579	1,587
Unrestricted	1,557	2,061	3,691	3,996	5,248	6,057
<b>Total net position</b>	<b>\$ 6,482</b>	<b>\$ 6,010</b>	<b>\$ 16,332</b>	<b>\$ 15,913</b>	<b>\$ 22,814</b>	<b>\$ 21,923</b>

Revised reflects the adjustment for the year end 2017 payroll liability of \$60,616 in the Governmental funds.

Governmental activities increased the City's net position by \$472 thousand and business activities by \$415 thousand.

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*, 22.9%, may be used to meet the government's ongoing obligations to citizens and creditors.

Overall the City's net position increased by about \$891 thousand during the fiscal year. This increase in position represents a decrease in debt obligations for the City's water treatment plant, water system infrastructure, wastewater treatment plant and collection system. This net position increase also represents the increase of ongoing revenue to meet or exceed similar increases in ongoing expenses.

**Governmental Activities.** Governmental activities increased the City's net position as follows:

**Statement of Activities**

	Governmental Activities		Business-type Activities		Total	
	2018	Revised	2018	2017	2018	Revised
		2017				2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 648	\$ 389	\$ 2,869	\$ 2,933	\$ 3,517	\$ 3,322
Operating grants/contributions	161	85	199	215	161	300
Capital grants and contributor	1,036	525	-	-	1,235	525
General revenues:						
Property taxes	1,446	1,431	-	-	1,446	1,431
Other taxes	949	937	-	-	949	937
Other revenue	276	178	-	-	276	178
Investment income	38	27	79	58	117	85
<b>Total revenues</b>	<b>4,554</b>	<b>3,572</b>	<b>3,147</b>	<b>3,206</b>	<b>7,701</b>	<b>6,778</b>
<b>Expenses</b>						
General government	1,490	983	-	-	1,490	983
Public safety	1,634	1,528	-	-	1,634	1,528
Highways and streets	201	215	-	-	201	215
Culture and recreation	543	603	-	-	543	603
Water	-	-	968	1,094	968	1,094
Wastewater	-	-	1,748	1,499	1,748	1,499
Stormwater	-	-	149	110	149	110
Dunes NRA lease	-	-	77	81	77	81
<b>Total expenses</b>	<b>3,869</b>	<b>3,329</b>	<b>2,942</b>	<b>2,785</b>	<b>6,810</b>	<b>6,114</b>
Change in net position	686	243	205	422	891	664
Transfers	(214)	(21)	214	21		-
Change in net position	472	222	419	443	891	664
Beginning net position	6,010	5,788	15,913	15,470	21,923	21,258
Ending net position	\$ 6,482	\$ 6,010	\$ 16,332	\$ 15,913	\$ 22,814	\$ 21,923

**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 \$6.4 million, an increase of \$412 thousand in comparison with the prior year. Approximately \$1.5 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, indicating that it is not available for new spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total combined fund balance reached \$1.12 million, all of which is unrestricted.

The fund balance of the City's Combined General Fund decreased by \$134 thousand during the current fiscal year. There was reduction of expenditures for personnel, materials & services, and unfilled personnel positions. Revenue came in slightly over budget, yet at the end of the year there was a loss.

### General Fund Budgetary Highlights

Differences between the original budget and final budget were relatively minor and are mostly attributable to changes in personnel, an IGA with a local service district and debt retirement in the water utility. Staff maintains a conservative approach for expending funds.

### 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, 2018 amounts to \$25.6 thousand (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 the replacement of a major section of Bowman Road, levee gate upgrade, replacement assets for Police station console, fire salvage truck, library renovation project, the on-going levee certification process and other projects necessary for the day to day operations of the City.

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

	Governmental Activity		Business Activity		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 811	\$ 824	\$ 113	\$ 113	\$ 924	\$ 937
Construction in progress	390	1,236	1,036	1,002	1,426	2,238
Buildings	813	746	317	288	1,130	1,034
Machinery and equipment	864	941	110	205	974	1,146
Infrastructure/Systems	773	898	20,415	20,396	21,188	21,294
Total	\$ 3,651	\$ 4,645	\$ 21,991	\$ 22,004	\$ 25,642	\$ 26,649

### Long-term liabilities

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

	Governmental Activity		Business Activity		Total	
	2018	2017	2018	2017	2018	2017
Loans payable	\$ -	\$ -	\$ 1,876	\$ 1,948	\$ 1,876	\$ 1,948
Compensated absences	0	104	66	60	171	164
Revenue bonds	0	0	8,974	9,417	8,974	9,417
Subtotal	105	104	10,916	11,425	11,021	11,529
PERS	1,050	1,182	354	398	1,404	1,580
Total	\$ 1,155	\$ 1,286	\$ 11,270	\$ 11,823	\$ 12,425	\$ 13,109

## **Economic Factors and Future Plans.**

Overall, the economic position of the City continues to improve. The conservative budget approach adopted by the City Council has shown to be effective at mitigating the rising costs of doing business and working within the financial constraints of funds with little net financial gain.

While tax compression is still a significant factor that affects revenues, tax compression numbers continue to decline, a good sign that economic conditions are changing, and that these changes are finally hitting the City's books. Recently a handful of small businesses and several mid-sized retailers have found their way here, all of which have made substantial investments in property and brought in new business assets. Also, new housing starts continue to be steady at a rate of 2-3 homes per year.

As a result of this economic upswing, things have slowly started to change for the positive in the City's two major utility funds; however, for the City's Water Utility it could be too little too late. The Water Fund, continues to struggle with the rising costs of materials and services and, especially, the increasing financial demands of aging infrastructure. In an effort to counter the increasing costs, the City has a November ballot measure that, if passed, will allow the City Council to adjust water rates based on the cost of inflation. This will avoid the cumbersome process currently required by the City Charter and allow passage with only a public hearing. With this ability, future utility budgets should be easier to manage and balance.

Besides revenues that are derived from rates, the utilities are encouraged to engage in other revenue generating activities. The City's Wastewater Utility has managed to offset revenue shortcomings by accepting leachate from the County Landfills, which should gross an additional \$45,000 annually. The Water utility sells bulk water but, on a coast which experiences about 70 inches of annual rainfall, it is not in high demand, thus not a real source of revenues.

The City's effort to manage costs in our utility funds by self-performing work has been a great success and will continue into this next year where we plan to replace 600 feet of waterline in Winchester Bay and several spots of sewer line throughout town. This is still the only way these funds can afford to conduct the maintenance projects necessary to improve their respective systems. The City will continue to invest in the equipment necessary to more efficiently self-perform these projects, eventually resulting in the replacement of miles of dilapidated infrastructure.

## **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, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash & cash equivalents	\$ 1,823,769	\$ 4,915,101	\$ 6,738,870
Investments	509,537	509,537	1,019,074
Receivables			
Taxes	156,813	-	156,813
Accounts	285,086	297,077	582,163
Intergovernmental	438,349	48,137	486,486
Notes	20,862	-	20,862
Inventories	33,580	89,588	123,168
Total current assets	<u>3,267,996</u>	<u>5,859,440</u>	<u>9,127,436</u>
<b>Capital Assets</b>			
Capital assets not being depreciated	2,060,889	1,114,653	3,175,542
Depreciable capital assets, net of acc. Dep.	2,583,716	20,889,311	23,473,027
Total capital assets	<u>4,644,605</u>	<u>22,003,964</u>	<u>26,648,569</u>
Total assets	<u>7,912,601</u>	<u>27,863,404</u>	<u>35,776,005</u>
<b>Deferred outflows of resources</b>			
Pension related outflows	403,581	135,095	538,676
Total assets and deferred outflows	<u>8,316,182</u>	<u>27,998,499</u>	<u>36,314,681</u>
<b>LIABILITIES</b>			
Accounts payable	446,252	143,472	589,724
Payroll and related accruals	107,656	-	107,656
Accrued interest payable - payable from restricted	-	104,756	104,756
Unearned revenue	-	28,318	28,318
Unforfeited bail	15,304	-	15,304
Deposits payable	-	86,335	86,335
Compensated absences	61,365	38,930	100,295
Notes payable - payable from restricted	-	74,339	74,339
Bonds payable - payable from restricted	-	346,127	346,127
Total current liabilities	<u>630,577</u>	<u>822,277</u>	<u>1,452,854</u>
<b>Noncurrent liabilities</b>			
Notes payable - net of current	-	1,801,702	1,801,702
Bonds payable - net of current	-	8,627,757	8,627,757
Compensated absences - net of current	43,533	27,262	70,795
Net pension liability	1,050,584	354,504	1,405,088
Total noncurrent liabilities	<u>1,094,117</u>	<u>10,811,225</u>	<u>11,905,342</u>
Total liabilities	<u>1,724,694</u>	<u>11,633,502</u>	<u>13,358,196</u>
<b>Deferred inflows of resources</b>			
Pension related inflows	109,657	32,888	142,545
Total liabilities an deferred inflows	<u>1,834,351</u>	<u>11,666,390</u>	<u>13,500,741</u>
<b>NET POSITION</b>			
Net invested in capital assets	4,644,605	11,342,177	15,986,782
Restricted - capital projects	280,200	369,469	649,669
Restricted - debt service	-	929,574	929,574
Unrestricted	1,557,026	3,690,889	5,247,915
Total net position	<u>\$ 6,481,831</u>	<u>\$ 16,332,109</u>	<u>\$ 22,813,941</u>

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



**City of Reedsport, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

as of June 30, 2018

	Combined General Fund	Street Fund	Urban Renewal Agency - Special Rev.	Urban Renewal Agency - Main Street	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 678,608	\$ 109,238	\$ 92,264	\$ 52,278	\$ 876,077	\$ 1,808,465
Investments	509,537	0	0	0	0	509,537
Receivables						
Taxes	146,307	0	10,506	0	0	156,813
Accounts	270,890	3,900	0	0	10,296	285,086
Intergovernmental	49,940	42,218	0	0	346,191	438,349
Notes	0	0	0	0	20,862	20,862
Due from other funds	0	0	0	0	12,874	12,874
Inventories	0	0	0	0	33,580	33,580
Total assets	<u>\$ 1,655,282</u>	<u>\$ 155,356</u>	<u>\$ 102,770</u>	<u>\$ 52,278</u>	<u>\$ 1,299,880</u>	<u>\$ 3,265,566</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 290,917	\$ 9,289	\$ 3,930	\$ 100	\$ 142,016	\$ 446,252
Payroll and related accruals	94,950	7,715	0	0	4,991	107,656
Due to other funds	12,874	0	0	0	0	12,874
Total liabilities	<u>398,741</u>	<u>17,004</u>	<u>3,930</u>	<u>100</u>	<u>147,007</u>	<u>566,782</u>
<b>Deferred inflows of resources</b>						
Property taxes	135,897	0	9,170	0	0	145,067
Total liabilities and deferred inflows	<u>534,638</u>	<u>17,004</u>	<u>13,100</u>	<u>100</u>	<u>147,007</u>	<u>711,849</u>
<b>Fund Balances</b>						
<b>Restricted</b>						
Streets	0	138,352	0	0	0	138,352
Capital outlay	0	0	89,670	52,178	0	141,848
<b>Committed</b>						
Capital outlay	0	0	0	0	800,927	800,927
Cultural/Recreation	0	0	0	0	304,278	304,278
Public safety	0	0	0	0	47,668	47,668
<b>Unassigned</b>						
General fund	1,120,644	0	0	0	0	1,120,644
Total fund balances	<u>1,120,644</u>	<u>138,352</u>	<u>89,670</u>	<u>52,178</u>	<u>1,152,873</u>	<u>2,553,717</u>
Total liabilities and fund balance	<u>\$ 1,655,282</u>	<u>\$ 155,356</u>	<u>\$ 102,770</u>	<u>\$ 52,278</u>	<u>\$ 1,299,880</u>	<u>\$ 3,265,566</u>

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

<b>GOVERNMENTAL FUND BALANCES</b>	\$ 2,553,717
Capital assets, net of accumulated depreciation	4,644,605
Compensated absences	(104,897)
Deferred property taxes	145,067
Deferred inflows of resources from pensions	(109,657)
Deferred outflows of resources from pensions	403,581
Net pension liability	<u>(1,050,584)</u>
<b>NET POSITION</b>	<u>\$ 6,481,831</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, 2018

	Combined General Fund	Street Fund	Urban Renewal Agency - Special Revenue	Urban Renewal Agency - Main Street	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 1,345,775	\$ 0	\$ 91,475	\$ 0	\$ 0	\$ 1,437,250
Franchise taxes	212,850	58,521	0	0	0	271,371
Fuel taxes	0	323,107	0	0	0	323,107
Alcohol taxes	61,326	0	0	0	0	61,326
Lodging taxes	209,880	0	0	0	52,436	262,316
Other taxes	31,413	0	0	0	0	31,413
Licenses and permits	301,466	0	0	0	0	301,466
Intergovernmental rev.	34,501	0	0	0	0	34,501
Charges for services	105,774	0	0	0	98,466	204,240
Fines and penalties	142,526	0	0	0	0	142,526
Investment earnings	18,687	1,842	1,634	703	15,195	38,061
Land sales	5,015	0	0	0	0	5,015
Other revenue	126,158	1,189	338	0	108,336	236,021
Grants and contracts	57,406	0	0	129,819	1,010,387	1,197,612
Total revenues	<u>2,652,777</u>	<u>384,659</u>	<u>93,447</u>	<u>130,522</u>	<u>1,284,820</u>	<u>4,546,225</u>
<b>EXPENDITURES</b>						
Current						
General government	849,198	0	5,775	0	0	854,973
Public safety	1,651,202	0	0	0	167,943	1,819,145
Highways and streets	0	175,911	0	0	0	175,911
Culture and recreation	22,696	0	0	0	368,727	391,423
Capital outlay	0	0	63,975	140,184	1,239,900	1,444,059
Debt service	0	0	7,410	0	0	7,410
Total expenditures	<u>2,523,096</u>	<u>175,911</u>	<u>77,160</u>	<u>140,184</u>	<u>1,776,570</u>	<u>4,692,921</u>
Excess (def) of revenues over expenditures	129,681	208,748	16,287	(9,662)	(491,750)	(146,696)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in/out	<u>(263,608)</u>	<u>(220,650)</u>	<u>(32,500)</u>	<u>20,000</u>	<u>282,558</u>	<u>(214,200)</u>
Net change in fund balance	(133,927)	(11,902)	(16,213)	10,338	(209,192)	(360,896)
<b>FUND BALANCES - Beg. of year</b>	<u>1,254,571</u>	<u>150,254</u>	<u>105,883</u>	<u>41,840</u>	<u>1,362,065</u>	<u>2,914,613</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 1,120,644</u>	<u>\$ 138,352</u>	<u>\$ 89,670</u>	<u>\$ 52,178</u>	<u>\$ 1,152,873</u>	<u>\$ 2,553,717</u>

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

<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ (360,896)
Capitalized assets	1,459,706
Change in unearned revenue	8,611
Depreciation	(466,086)
Compensated absences	(1,272)
Net pension income(expense)	<u>(168,399)</u>
	<u>\$ 471,664</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, 2018

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 806,604	\$ 3,701,285	\$ 324,171	\$ 83,041	\$ 4,915,101
Investments	254,768	254,769	0	0	509,537
Receivables					
Accounts	89,356	199,203	8,518	0	297,077
Intergovernmental	46,913	0	1,224	0	48,137
Inventories	62,151	27,437	0	0	89,588
Total current assets	<u>1,259,792</u>	<u>4,182,694</u>	<u>333,913</u>	<u>83,041</u>	<u>5,859,440</u>
<b>Other Assets</b>					
Capital assets not being depreciated	171,276	0	863,597	79,780	1,114,653
Depreciable capital assets	9,977,569	21,012,782	622,989	633,922	32,247,262
Accumulated depreciation	<u>(4,473,925)</u>	<u>(6,249,448)</u>	<u>(275,474)</u>	<u>(359,104)</u>	<u>(11,357,951)</u>
Total other assets	<u>5,674,920</u>	<u>14,763,334</u>	<u>1,211,112</u>	<u>354,598</u>	<u>22,003,964</u>
Total assets	<u>6,934,712</u>	<u>18,946,028</u>	<u>1,545,025</u>	<u>437,639</u>	<u>27,863,404</u>
<b>Deferred Outflows of Resources</b>					
Pension related outflows	<u>70,903</u>	<u>56,140</u>	<u>4,515</u>	<u>3,537</u>	<u>135,095</u>
Total assets and deferred outflows	<u>7,005,615</u>	<u>19,002,168</u>	<u>1,549,540</u>	<u>441,176</u>	<u>27,998,499</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	67,688	55,223	20,506	55	143,472
Accrued interest payable	0	104,703	53	0	104,756
Unearned revenue	28,318	0	0	0	28,318
Deposits payable	20,109	62,961	3,265	0	86,335
Compensated absences - current	17,244	19,900	608	1,178	38,930
Notes payable - current	0	67,946	6,393	0	74,339
Bonds payable - current	<u>0</u>	<u>346,127</u>	<u>0</u>	<u>0</u>	<u>346,127</u>
Total current liabilities	<u>133,359</u>	<u>656,860</u>	<u>30,825</u>	<u>1,233</u>	<u>822,277</u>
<b>Noncurrent liabilities</b>					
Notes payable	0	1,784,003	17,699	0	1,801,702
Bonds payable	0	8,627,757	0	0	8,627,757
Compensated absences	11,983	14,256	441	582	27,262
Net pension liability	<u>185,317</u>	<u>146,848</u>	<u>11,774</u>	<u>10,565</u>	<u>354,504</u>
Total noncurrent liabilities	<u>197,300</u>	<u>10,572,864</u>	<u>29,914</u>	<u>11,147</u>	<u>10,811,225</u>
Total liabilities	<u>330,659</u>	<u>11,229,724</u>	<u>60,739</u>	<u>12,380</u>	<u>11,633,502</u>
<b>Deferred Inflows of Resources</b>					
Pension related inflows	<u>15,445</u>	<u>16,024</u>	<u>845</u>	<u>574</u>	<u>32,888</u>
Total liabilities and deferred inflows	<u>346,104</u>	<u>11,245,748</u>	<u>61,584</u>	<u>12,954</u>	<u>11,666,390</u>
<b>Net position</b>					
Net invested in capital assets	5,674,920	4,125,639	1,187,020	369,440	11,357,019
Restricted - capital projects	73,684	289,551	6,234	0	369,469
Restricted - debt service	0	929,574	0	0	929,574
Unrestricted	<u>910,907</u>	<u>2,411,656</u>	<u>294,702</u>	<u>58,782</u>	<u>3,676,047</u>
Total net position	<u>\$ 6,659,511</u>	<u>\$ 7,756,420</u>	<u>\$ 1,487,956</u>	<u>\$ 428,222</u>	<u>\$ 16,332,109</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, 2018**

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 751,778	\$ 1,895,634	\$ 70,105	\$ 96,206	\$ 2,813,723
Miscellaneous	<u>42,336</u>	<u>9,888</u>	<u>3,029</u>	<u>224</u>	<u>55,477</u>
Total operating revenues	<u>794,114</u>	<u>1,905,522</u>	<u>73,134</u>	<u>96,430</u>	<u>2,869,200</u>
<b>OPERATING EXPENSES</b>					
Personnel services	291,432	357,461	16,192	34,791	699,876
Materials and services	281,019	357,687	23,346	11,979	674,031
Capital outlay	19,632	40,514	97,760	0	157,906
Depreciation	<u>186,345</u>	<u>731,395</u>	<u>11,089</u>	<u>30,124</u>	<u>958,953</u>
Total operating expenses	<u>778,428</u>	<u>1,487,057</u>	<u>148,387</u>	<u>76,894</u>	<u>2,490,766</u>
Operating income (loss)	<u>15,686</u>	<u>418,465</u>	<u>(75,253)</u>	<u>19,536</u>	<u>378,434</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest earnings	18,328	55,421	4,220	1,125	79,094
Contributions	0	0	0	0	0
Grant proceeds	105,554	0	94,084	0	199,638
Asset disposition	(189,297)	0	0	0	(189,297)
Interest expense	<u>0</u>	<u>(261,325)</u>	<u>(1,443)</u>	<u>0</u>	<u>(262,768)</u>
Total nonoperating revenues (exp)	<u>(65,415)</u>	<u>(205,904)</u>	<u>96,861</u>	<u>1,125</u>	<u>(173,333)</u>
Income (loss) before transfers and capital contributions	<u>(49,729)</u>	<u>212,561</u>	<u>21,608</u>	<u>20,661</u>	<u>205,101</u>
<b>TRANSFERS</b>					
Transfers in	178,756	1,059,160	406,150	0	1,644,066
Transfers out	<u>(229,906)</u>	<u>(1,153,410)</u>	<u>(41,850)</u>	<u>(4,700)</u>	<u>(1,429,866)</u>
Total transfers	<u>(51,150)</u>	<u>(94,250)</u>	<u>364,300</u>	<u>(4,700)</u>	<u>214,200</u>
Change in net position	(100,879)	118,311	385,908	15,961	419,301
NET POSITION - Beginning 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>
NET POSITION - End of year	<u>\$ 6,659,512</u>	<u>\$ 7,756,420</u>	<u>\$ 1,487,956</u>	<u>\$ 428,222</u>	<u>\$ 16,332,109</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, 2018

	Water Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers and users	\$ 722,005	\$ 1,884,875	\$ 69,309	\$ 95,978	\$ 2,772,167
Cash payments to suppliers	(504,247)	(350,157)	(187,371)	(11,997)	(1,053,772)
Cash payments to employees	(267,303)	(333,899)	(14,438)	(32,099)	(647,739)
Net cash provided (used) by operating activities	(49,545)	1,200,819	(132,500)	51,882	1,070,656
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	178,756	1,059,160	406,150	0	1,644,066
Transfers to other funds	(229,906)	(1,153,410)	(41,850)	(4,700)	(1,429,866)
Net cash provided (used) by noncapital financing act.	(51,150)	(94,250)	364,300	(4,700)	214,200
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital grant	105,554	0	94,084	0	199,638
Investment in time CD	(1,370)	(1,371)	0	0	(2,741)
Acquisition and construction of capital assets	(797,921)	(35,600)	(246,140)	(79,780)	(1,159,441)
Principal paid on debt	0	(507,657)	(7,410)	0	(515,067)
Interest expense	0	(279,962)	(1,443)	0	(281,405)
Net cash provided (used) by capital and related financing activities	(693,737)	(824,590)	(160,909)	(79,780)	(1,759,016)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	18,328	55,421	4,220	1,125	79,094
Net increase (decrease) in cash and cash equivalents	(776,104)	337,400	75,111	(31,473)	(395,066)
Cash & cash equivalents - Beginning of year (including restricted cash \$1,288,917)	1,582,708	3,363,885	249,060	114,515	5,310,168
Cash & cash equivalents - End of year (including restricted cash \$1,496,693)	\$ 806,604	\$ 3,701,285	\$ 324,171	\$ 83,042	\$ 4,915,101
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 15,686	\$ 418,465	\$ (75,253)	\$ 19,536	\$ 378,434
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities					
Depreciation	186,345	731,395	11,089	30,124	958,953
(Increase) decrease in operating assets					
Accounts receivable	(50,995)	(10,759)	(796)	0	(62,550)
Net pension assets & deferrals	28,208	23,562	1,754	2,092	55,616
Inventories	671	0	0	0	671
Increase (decrease) in operating liabilities					
Accounts payable	(232,856)	30,299	(69,443)	(228)	(272,228)
Accrued liabilities	0	0	21	0	21
Compensated absences	4,079	1,000	(62)	358	5,375
Deposit payable	(683)	0	190	0	(493)
Deferred revenue	0	6,857	0	0	6,857
Net cash provided (used) by operating activities	\$ (49,545)	\$ 1,200,819	\$ (132,500)	\$ 51,882	\$ 1,070,656

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, 2018

#### **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.

## CITY OF REEDSPORT, OREGON

### NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2018

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

#### **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.

## CITY OF REEDSPORT, OREGON

### NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2018

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**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.

#### **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.

## CITY OF REEDSPORT, OREGON

### NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2018

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### **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.

##### **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.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS  
for the Year Ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

**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."

## CITY OF REEDSPORT, OREGON

### NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2018

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### **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.

##### **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.

## CITY OF REEDSPORT, OREGON

### NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2018

#### **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.

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.

**CITY OF REEDSPORT, OREGON**

NOTES TO FINANCIAL STATEMENTS  
for the Year Ended June 30, 2018

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

**Budget Law and Practice**

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.

**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	\$6,357,262
- restricted	<u>1,400,682</u>
Total	<u>\$7,757,944</u>

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

	<u>Balance</u>	<u>Cash &amp; Cash Equivalent</u>	<u>Time CD</u>
Cash on hand	\$ 1,075	\$ 1,075	\$ 0
Deposits with financial institutions	1,764,365	745,291	1,019,074
External investment pool	<u>5,992,504</u>	<u>5,992,504</u>	<u>0</u>
Total cash and investments	<u>\$7,757,944</u>	<u>\$ 6,738,870</u>	<u>\$ 1,019,074</u>

Restricted cash represents customer deposits of \$101,639, debt service of \$929,574 and System Development fees of \$369,469.

**Deposits**

At the end of the fiscal year, the City's total deposits with financial institutions have a bank value of \$1,996,236.

*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. At year end, \$750,000 of the City's deposits were insured by the FDIC or NCUA and the remaining balances were in qualified depository banks: First Interstate Bank and Umpqua Bank.

## CITY OF REEDSPORT, OREGON

### NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2018

#### NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

##### A. DEPOSITS AND INVESTMENTS

###### Investments

At year end, the City has total funds of \$5,992,504 in the State of Oregon Local Government Investment Pool and \$1,019,074 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](http://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 77% 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, 2018

**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 &amp; Loans Receivable</u>	<u>Total</u>
<b>Governmental</b>					
General Fund	\$ 146,307	\$ 270,890	\$ 49,940	\$ 0	\$ 467,137
Street Fund	0	3,900	42,218	0	46,118
Urban Renewal Agency	10,506	0	0	0	10,506
Other Government Funds	<u>0</u>	<u>10,296</u>	<u>346,191</u>	<u>20,862</u>	<u>377,349</u>
Total Governmental	<u>156,813</u>	<u>285,086</u>	<u>438,349</u>	<u>20,862</u>	<u>901,110</u>
<b>Business-Type</b>					
Water Fund	0	89,356	46,913	0	136,269
Wastewater Fund	0	199,203	0	0	199,203
Stormwater Fund	<u>0</u>	<u>8,518</u>	<u>1,224</u>	<u>0</u>	<u>9,742</u>
Total Business-Type	<u>0</u>	<u>297,077</u>	<u>48,137</u>	<u>0</u>	<u>345,214</u>
 Total	 <u>\$ 156,813</u>	 <u>\$ 582,163</u>	 <u>\$ 486,486</u>	 <u>\$ 20,862</u>	 <u>\$ 1,246,324</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	\$ 135,897	
Urban Renewal Agency	9,170	
Unearned Utility Billing		\$ 28,318
Customer Deposits		
Water Fund		20,109
Wastewater Fund		62,961
Stormwater Fund		<u>3,365</u>
 Total	 <u>\$ 145,067</u>	 <u>\$ 114,653</u>

**CITY OF REEDSPORT, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
for the Year Ended June 30, 2018

**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>
<b>Governmental Activities</b>				
Capital assets, not depreciated				
Land	\$ 811,072	\$ 13,323	\$ 0	\$ 824,395
Construction in progress	<u>389,546</u>	<u>846,948</u>	<u>0</u>	<u>1,236,494</u>
Total capital assets not being depreciated	<u>1,200,618</u>	<u>860,271</u>	<u>0</u>	<u>2,060,889</u>
Capital assets, being depreciated				
Building	2,691,355	0	0	2,691,355
Machinery and equipment	3,311,084	437,381	0	3,748,465
Infrastructure	<u>1,628,724</u>	<u>162,054</u>	<u>0</u>	<u>1,790,778</u>
Total capital assets being depreciated	<u>7,631,163</u>	<u>599,435</u>	<u>0</u>	<u>8,230,598</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS  
for the Year Ended June 30, 2018

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

	<u>7/01 Balance</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>6/30 Balance</u>
<b>Governmental Activities</b>				
Less - accum. depreciation				
Building	(1,878,118)	(67,252)	0	(1,945,370)
Machinery and equipment	(2,446,822)	(360,349)	0	(2,807,171)
Infrastructure	<u>(855,856)</u>	<u>(38,485)</u>	<u>0</u>	<u>(894,341)</u>
Total accum. depreciation	<u>(5,180,796)</u>	<u>(466,086)</u>	<u>0</u>	<u>(5,646,882)</u>
Total capital assets, net of depreciation	<u>2,450,367</u>	<u>(133,349)</u>	<u>0</u>	<u>2,583,716</u>
Governmental activities capital assets, net	<u>\$ 3,650,985</u>	<u>\$ 993,620</u>	<u>\$ 0</u>	<u>\$ 4,644,605</u>
<b>Business-type Activities</b>				
Assets not being depreciated				
Land	\$ 112,836	\$ 0	\$ 0	\$ 112,836
Construction in progress	<u>1,036,281</u>	<u>844,500</u>	<u>(878,964)</u>	<u>1,001,817</u>
Total assets not being depreciated	<u>1,149,117</u>	<u>844,500</u>	<u>(878,964)</u>	<u>1,114,653</u>
Assets being depreciated				
Buildings and improvements	707,468	0	0	707,468
Machinery and equipment	413,388	117,285	0	530,673
Systems	<u>30,270,469</u>	<u>1,076,619</u>	<u>(337,968)</u>	<u>31,009,120</u>
Total capital assets, being depreciated	<u>31,391,325</u>	<u>1,193,904</u>	<u>(337,968)</u>	<u>32,247,261</u>
Less - accum. depreciation reallocated				
Building and improvements	(389,545)	(30,381)	0	(419,926)
Machinery and equipment	(303,037)	(22,801)	0	(325,838)
Systems	<u>(9,855,087)</u>	<u>(905,770)</u>	<u>(148,670)</u>	<u>(10,612,187)</u>
Total accum. depreciation	<u>(10,547,669)</u>	<u>(958,952)</u>	<u>(148,670)</u>	<u>(11,357,951)</u>
Total capital assets, net of depreciation	<u>20,843,656</u>	<u>234,952</u>	<u>(189,298)</u>	<u>20,899,310</u>
Business-type activities Capital assets, net	<u>\$ 21,992,774</u>	<u>\$ 1,079,452</u>	<u>\$ (1,068,262)</u>	<u>\$22,003,964</u>

**CITY OF REEDSPORT, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
for the Year Ended June 30, 2018

**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	\$ 22,833
Public safety	80,821
Highways and streets	31,727
Culture and recreation	<u>330,705</u>
Total dep. exp. - gov. act.	<u>\$ 466,086</u>
Business-type activities	
Water	\$ 186,345
Wastewater	731,395
Stormwater	11,089
Dunes NRA lease	<u>30,124</u>
Total dep. exp. - bus. type act.	<u>\$ 944,111</u>

**D. INTERFUND TRANSFERS**

	<u>Transfers In</u>						
	<u>General</u>	<u>Water</u>	<u>Waste-</u>	<u>Storm-</u>	<u>Nonmajor</u>	<u>URA</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>water</u>	<u>water</u>	<u>Governmental</u>	<u>Main St.</u>	<u>Out</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Fund</u>	
<b>Transfer Out</b>							
General Fund	\$ 0	\$ 0	\$ 0	\$ 242,500	\$ 168,100	\$ 0	\$ 410,600
Street Fund	12,500	0	0	113,650	94,500	0	220,650
Nonmajor Govn't Funds	2,542	0	0	0	0	0	2,542
Water Fund	46,150	178,756	0	0	5,000	0	229,906
Wastewater Fund	79,250	0	1,059,160	10,000	5,000	0	1,153,410
Stormwater Fund	1,850	0	0	40,000	0	0	41,850
Dune NRA Lease Fund	4,700	0	0	0	0	0	4,700
URA	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,500</u>	<u>20,000</u>	<u>32,500</u>
<b>Total transfers in</b>	<u>\$ 146,992</u>	<u>\$178,756</u>	<u>\$1,059,160</u>	<u>\$406,150</u>	<u>\$ 285,100</u>	<u>\$ 20,000</u>	<u>\$2,096,158</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.

**CITY OF REEDSPORT, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
for the Year Ended June 30, 2018**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**Due To/From Other Funds**

The General Fund owes the Riverfront Fund \$12,874 as of June 30, for unremitted tourism taxes at year end.

**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>
<b>Governmental Type</b>						
Compensated absences		\$ 103,630	\$ 1,571	\$ (305)	\$ 104,897	\$ 61,365
<b>Business Type</b>						
Bonds payable						
DEQ Bond	\$10,334,358	9,416,620	0	(442,736)	8,973,884	346,127
Loans payable						
OECD SPWF	2,250,000	1,916,870	0	(64,921)	1,851,949	67,946
Note payable						
Hatcher Land Purchase	65,000	31,502	0	(7,410)	24,092	6,393
Compensated absences		<u>60,003</u>	<u>4,889</u>	<u>(97)</u>	<u>66,191</u>	<u>38,930</u>
Total business type		<u>11,424,995</u>	<u>4,889</u>	<u>(515,469)</u>	<u>11,021,014</u>	<u>459,238</u>
Total long-term liabilities		<u>\$11,528,625</u>	<u>\$ 4,889</u>	<u>\$ (515,469)</u>	<u>\$11,021,014</u>	<u>\$ 520,603</u>

Total interest expense was \$262,768 with none subject to capitalization.

**Compensated Absences**

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

**CITY OF REEDSPORT, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
for the Year Ended June 30, 2018**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**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 \$8,973,884 and it matures in 2041.

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 (OECD) for \$2,250,000 bearing an interest rate of 4.66%. The balance due on the loan at June 30 is \$1,851,949, 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 \$24,092, 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
2019	\$ 346,127	\$ 176,868	\$ 74,339	\$ 90,473	\$ 420,466	\$ 267,341
2020	350,990	170,326	77,766	87,198	428,756	257,524
2021	355,921	163,693	81,351	83,770	437,272	247,463
2022	360,921	156,965	82,016	80,186	442,937	237,151
2023	365,992	150,146	81,525	76,441	447,517	226,587
2024-28	1,908,546	336,022	468,276	323,809	2,376,822	659,831
2029-33	2,046,433	482,285	588,037	209,380	2,634,470	691,665
2034-41	<u>3,238,954</u>	<u>361,563</u>	<u>422,731</u>	<u>65,685</u>	<u>3,661,685</u>	<u>427,248</u>
<b>Total</b>	<b><u>\$ 8,973,884</u></b>	<b><u>\$1,997,868</u></b>	<b><u>\$ 1,876,041</u></b>	<b><u>\$1,016,942</u></b>	<b><u>\$10,849,925</u></b>	<b><u>\$ 3,014,810</u></b>

**CITY OF REEDSPORT, OREGON**  
**NOTES TO FINANCIAL STATEMENTS**  
for the Year Ended June 30, 2018

**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](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  
for the Year Ended June 30, 2018

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 2018 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 2018 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  
for the Year Ended June 30, 2018

**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, 2018 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, 2015 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2017. City contributions for the year ending June 30, 2018 were \$75,741, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 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.

**Oregon Public Employees Retirement System (OPERS)**

***Net Pension Liability***

At June 30, 2018, the City reported a net pension liability of \$1,405,088 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2017, and the system-

**CITY OF REEDSPORT, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
for the Year Ended June 30, 2018

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**F. PENSION PLAN - Defined Benefit**

wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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 0.01042347 and 0.01052925 for the fiscal years ending June 30, 2016 and 2015 respectively. For the year ended June 30, 2018, the City recognized pension expense (income) of \$244,016. At June 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,951	\$ 0
Changes in assumptions	256,122	0
Net difference between projected and actual earnings on investments	14,476	0
Changes in proportionate share	124,384	7,165
Contributions made subsequent to measurement date	75,741	0
Differences between employer contributions and employer's proportionate share of system contributions	<u>0</u>	<u>135,381</u>
Total	<u>\$ 538,674</u>	<u>\$ 142,546</u>

Deferred outflows of resources of \$75,741 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:

**Oregon Public Employees Retirement System (OPERS)**

Year Ended <u>June 30</u>	Deferred Outflow/(Inflow) of resources (prior to post- measurement date contributions)
2019	\$ 64,377
2020	179,638
2021	123,431
2022	(44,200)
2023	<u>(2,859)</u>
Total	<u>\$ 320,387</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS  
for the Year Ended June 30, 2018

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

**Actuarial Valuations**

The employer contribution rates effective July 1, 2017 through June 30, 2019 were set using the entry age normal 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:

**Oregon Public Employees Retirement System (OPERS)**

**Actuarial Valuations**

Valuation Date	December 31, 2015, rolled forward to June 30, 2017
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry age normal
Amortization Method	amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OSRP pension UAL is amortized over 16 years
Asset Valuation Method	Fair value of assets
Actuarial Assumptions:	
Inflation Rate	2.50%
Long-Term Expected Rate of Return	7.50%
Discount Rate	7.50%
Projected Salary Increases	3.50% overall payroll growth
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.

**CITY OF REEDSPORT, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
for the Year Ended June 30, 2018

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**F. PENSION PLAN - Defined Benefit**

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.

**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	14.0	21.0	17.5
Real estate	9.5	15.5	12.5
Alternative equity	0	12.5	12.5
Opportunity portfolio	0	3.0	<u>0</u>
Total			100.0%

**CITY OF REEDSPORT, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
for the Year Ended June 30, 2018

**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>100.0%</u></u>	
Assumed Inflation - Mean		2.50%

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS  
for the Year Ended June 30, 2018

NOTE 4 - DETAILED NOTES ON ALL FUNDS

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>2,394,526</u>	\$ <u>1,405,088</u>	\$ <u>577,734</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**

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

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 for the Year Ended June 30, 2018

#### 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 of 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, 2018, 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, 2018

#### NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

##### I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

For the year ended June 30, 2018, GASB Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* became effective. This statement provides guidance for accounting for liabilities/(assets) related to retiree healthcare and other non-pension postemployment benefits (OPEB). The other postemployment benefits for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by the Citycounty Insurance Service and the Employer, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. At June 30, 2018, the City's net OPEB liability/(asset) and deferred inflows and outflows were determined by management not to be material to the financial statements taken as a whole.

##### NOTE 5 – PRIOR PERIOD ADJUSTMENT

During the current year it was determined payroll payable in the prior year was understated by \$60,616 for the General Fund causing the understatement of expenses in the fund June 30, 2017 by the same amount.

##### NOTE 6 - 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 September 13, 2019, 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, 2018**

**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
2018	0.01042	1,405,088	1,548,055	90.76	83.1

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, 2018**

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

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Defecency /(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
2018	75,741	75,741	0	1,586,918	4.77

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, 2018

#### ***Changes in Benefit Terms***

We are aware of no changes in plan provisions from the June 30, 2017 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, 2018 respectively. These reports can be found at:  
<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

#### ***Changes Subsequent to the Measurement Date***

GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

**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, 2018**

**GENERAL FUND**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 1,255,000	\$ 1,255,000	\$ 1,345,775	\$ 90,775
Franchise taxes	168,000	168,000	212,850	44,850
Alcohol taxes	50,000	50,000	61,326	11,326
Lodging taxes	205,000	258,000	209,880	(48,120)
Other taxes	8,000	18,500	31,413	12,913
Licenses and permits	281,050	316,050	301,466	(14,584)
Intergovernmental revenues	40,000	40,000	34,501	5,499
Charges for services	96,990	101,990	105,774	3,784
Fines and penalties	100,000	100,000	142,526	42,526
Investment earnings	7,800	7,800	18,304	10,504
Land sales	0	0	5,015	5,015
Other revenue	24,450	24,450	40,104	15,654
Grants and contracts	83,000	83,000	57,406	(25,594)
Total revenue	<u>2,319,290</u>	<u>2,422,790</u>	<u>2,566,340</u>	<u>143,550</u>
<b>EXPENDITURES</b>				
City council	10,300	10,300	1,996	8,304
City manager	153,495	153,495	140,818	12,677
Finance	81,640	84,640	82,338	2,302
Legal services	35,000	35,000	13,577	21,423
Municipal court	114,870	114,870	94,810	20,060
Community development	40,690	49,190	41,644	7,546
City recorder	32,195	32,195	28,455	3,740
Community building	23,450	23,450	21,731	1,719
Nondepartmental	392,480	445,480	422,916	22,564
Police	1,283,130	1,285,130	1,196,150	88,980
Special police operations	73,815	73,815	65,991	7,824
Municipal jail	7,750	12,750	12,536	214
Fire	122,960	122,960	105,953	17,007
Building inspection	45,480	81,480	79,574	1,906
Animal control	0	0	0	0
Public service	156,710	156,710	149,412	7,298
Senior center	18,525	18,525	17,617	908
Dial-a-ride	0	0	0	0
Contingency	100,000	100,000	0	100,000
Total expenditures	<u>2,692,490</u>	<u>2,799,990</u>	<u>2,475,518</u>	<u>324,472</u>
Excess (def) of revenues over expenditures	<u>(373,200)</u>	<u>(377,200)</u>	<u>90,822</u>	<u>464,022</u>

**City of Reedsport, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**GENERAL FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	149,450	149,450	146,992	(2,458)
Transfer out	<u>(431,250)</u>	<u>(431,250)</u>	<u>(431,250)</u>	<u>0</u>
Total Transfer	(281,800)	(281,800)	(284,258)	2,458
Excess (def) of revenues over expenditures and transfers	(655,000)	(659,000)	(193,436)	465,564
Unappropriated ending fund balance	(310,000)	(310,000)	0	310,000
<b>GAAP ADJUSTMENTS</b>				
Compensated absences	0	0	(913)	(913)
FUND BALANCE - Beginning of year	<u>965,000</u>	<u>969,000</u>	<u>1,254,571</u>	<u>285,571</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,060,222</u>	<u>\$ 1,060,222</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**ANIMAL SHELTER FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Animal control/impound	\$ 1,000	\$ 470	\$ (530)
Animal shelter donations	5,000	9,009	4,009
Interest	<u>100</u>	<u>206</u>	<u>106</u>
 Total revenues	 <u>6,100</u>	 <u>9,685</u>	 <u>3,585</u>
 <b>EXPENDITURES</b>			
Materials and services	10,650	5,079	5,571
Capital outlay	<u>16,100</u>	<u>0</u>	<u>16,100</u>
 Total expenditures	 <u>26,750</u>	 <u>5,079</u>	 <u>21,671</u>
 Excess (def) of revenues over expenditures	 (20,650)	 4,606	 25,256
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	<u>20,650</u>	<u>20,650</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 0	 25,256	 25,256
 FUND BALANCE - Beginning of year	 <u>0</u>	 <u>0</u>	 <u>0</u>
 FUND BALANCE - End of year	 <u><u>\$ 0</u></u>	 <u><u>\$ 25,256</u></u>	 <u><u>\$ 25,256</u></u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**POLICE CAPITAL FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Jail bed rents	\$ 70,000	\$ 65,000	\$ 74,625	\$ 9,625
Interest	0	0	177	177
Miscellaneous	<u>0</u>	<u>0</u>	<u>1,950</u>	<u>1,950</u>
 Total revenues	 <u>70,000</u>	 <u>65,000</u>	 <u>76,752</u>	 <u>11,752</u>
 <b>EXPENDITURES</b>				
Recording system	55,000	50,000	34,362	15,638
Jail upgrades	<u>15,000</u>	<u>15,000</u>	<u>7,224</u>	<u>7,776</u>
 Total expenditures	 <u>70,000</u>	 <u>65,000</u>	 <u>41,586</u>	 <u>23,414</u>
 Excess (def) of revenues over expenditures	 0	 0	 35,166	 35,166
 FUND BALANCE - Beginning of year	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
 FUND BALANCE - End of year	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 35,166</u></u>	 <u><u>\$ 35,166</u></u>

**City of Reedsport, OREGON**

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)  
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS for the Year Ended June 30, 2018

**COMBINED GENERAL FUND**

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
<b>Budgetary Basis</b>			
General Fund	\$ 2,713,332	\$ 2,906,768	\$ (193,436)
Animal Shelter Fund	30,335	5,079	25,256
Police Capital Fund	<u>76,752</u>	<u>41,586</u>	<u>35,166</u>
 Total budgetary basis	 <u>\$ 2,820,419</u>	 <u>\$ 2,953,433</u>	 (133,014)
 <b>GAAP ADJUSTMENTS</b>			
Compensated absences			<u>(913)</u>
Change in net position			(133,927)
 FUND BALANCE - Beginning of year			<u>1,254,571</u>
 FUND BALANCE - End of year			<u>\$ 1,120,644</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

	<b>STREET FUND</b>		
	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Fuel taxes	\$ 287,000	\$ 323,107	\$ 36,107
Franchise taxes	47,400	58,521	11,121
Investment earnings	450	1,842	1,392
Miscellaneous	<u>350</u>	<u>1,189</u>	<u>839</u>
Total revenues	<u>335,200</u>	<u>384,659</u>	<u>49,459</u>
<b>EXPENDITURES</b>			
Personnel services	48,110	38,933	9,177
Materials and services	161,440	136,978	24,462
Contingency	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total expenditures	<u>224,550</u>	<u>175,911</u>	<u>48,639</u>
Excess (def) of revenues over expenditures	110,650	208,748	(98,098)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(220,650)</u>	<u>(220,650)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(110,000)	(11,902)	98,098
FUND BALANCE - Beginning of year	<u>110,000</u>	<u>150,254</u>	<u>(40,254)</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 138,352</u>	<u>\$ 138,352</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**REEDSPORT URBAN RENEWAL AGENCY - SPECIAL REVENUE**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property taxes	\$ 108,500	\$ 108,500	\$ 91,475	\$ (17,025)
Investment earnings	1,550	1,550	1,634	84
Miscellaneous income	<u>0</u>	<u>0</u>	<u>338</u>	<u>338</u>
 Total revenue	 <u>110,050</u>	 <u>110,050</u>	 <u>93,447</u>	 <u>(16,603)</u>
 <b>EXPENDITURES</b>				
Materials and services	4,065	7,065	5,775	1,290
Capital outlay	126,065	123,065	63,975	59,090
Debt service	<u>7,420</u>	<u>7,420</u>	<u>7,410</u>	<u>10</u>
 Total expenditures	 <u>137,550</u>	 <u>137,550</u>	 <u>77,160</u>	 <u>60,390</u>
 Excess (def) of revenues over expenditures	 (27,500)	 (27,500)	 16,287	 43,787
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(32,500)</u>	<u>(32,500)</u>	<u>(32,500)</u>	<u>0</u>
 Excess (def) of revenues and other sources over expenditures and other uses	 (60,000)	 (60,000)	 (16,213)	 43,787
 FUND BALANCE - Beginning of year	 <u>60,000</u>	 <u>60,000</u>	 <u>105,883</u>	 <u>45,883</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 89,670</u>	 <u>\$ 89,670</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**REEDSPORT URBAN RENEWAL AGENCY - MAIN STREET**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Investment earnings	\$ 215	\$ 415	\$ 703	\$ 288
Other revenue	110,700	12,200	18,024	5,824
Grants	<u>10,000</u>	<u>110,000</u>	<u>111,795</u>	<u>1,795</u>
 Total revenues	 <u>120,915</u>	 <u>122,615</u>	 <u>130,522</u>	 <u>7,907</u>
<b>EXPENDITURES</b>				
Materials and services	22,800	24,500	24,294	206
Capital outlay	<u>138,115</u>	<u>138,115</u>	<u>115,890</u>	<u>22,225</u>
 Total expenditures	 <u>160,915</u>	 <u>162,615</u>	 <u>140,184</u>	 <u>22,431</u>
 Excess (def) of revenues over expenditures	 (40,000)	 (40,000)	 (9,662)	 30,338
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in from General Fund	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
 Excess (def) of revenues and other sources over expenditures and other uses	 (20,000)	 (20,000)	 10,338	 30,338
 FUND BALANCE - Beginning of year	 <u>20,000</u>	 <u>20,000</u>	 <u>41,840</u>	 <u>21,840</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 52,178</u>	 <u>\$ 52,178</u>

**City of Reedsport, OREGON**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
as of June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 299,160	\$ 576,917	\$ 876,077
Receivables			
Accounts	10,296	0	10,296
Intergovernmental	7,613	338,578	346,191
Due from other funds	12,874	0	12,874
Notes	0	20,862	20,862
Inventories	<u>33,580</u>	<u>0</u>	<u>33,580</u>
 Total assets	 <u>\$ 363,523</u>	 <u>\$ 936,357</u>	 <u>\$ 1,299,880</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 6,586	\$ 135,430	\$ 142,016
Payroll and related liabilities	<u>4,991</u>	<u>0</u>	<u>4,991</u>
 Total liabilities	 <u>11,577</u>	 <u>135,430</u>	 <u>147,007</u>
 <b>Fund Balance</b>			
Committed - Capital projects	0	800,927	800,927
Committed - other	<u>351,946</u>	<u>0</u>	<u>351,946</u>
 Total fund balances	 <u>351,946</u>	 <u>800,927</u>	 <u>1,152,873</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 363,523</u>	 <u>\$ 936,357</u>	 <u>\$ 1,299,880</u>

**City of Reedsport, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS for the Year Ended June 30, 2018**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 52,436	\$ 0	\$ 52,436
Charges for services	98,466	0	98,466
Investment earnings	4,553	10,642	15,195
Grants	226,470	783,917	1,010,387
Miscellaneous	<u>103,590</u>	<u>4,746</u>	<u>108,336</u>
 Total revenues	 <u>485,515</u>	 <u>799,305</u>	 <u>1,284,820</u>
 <b>EXPENDITURES</b>			
Culture and recreation	368,727	0	368,727
Public safety	167,943	0	167,943
Capital outlay	<u>0</u>	<u>1,239,900</u>	<u>1,239,900</u>
 Total expenditures	 <u>536,670</u>	 <u>1,239,900</u>	 <u>1,776,570</u>
 Excess (def) of revenues over expenditures	 <u>(51,155)</u>	 <u>(440,595)</u>	 <u>(491,750)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	65,600	219,500	285,100
Transfers out	<u>(2,542)</u>	<u>0</u>	<u>(2,542)</u>
 Total other financing sources (uses)	 <u>63,058</u>	 <u>219,500</u>	 <u>282,558</u>
 Excess (def) of revenues over expenditures and transfers	 11,903	 (221,095)	 (209,192)
 FUND BALANCES - Beg. of year	 <u>340,042</u>	 <u>1,022,022</u>	 <u>1,362,064</u>
 FUND BALANCES - End of year	 <u>\$ 351,946</u>	 <u>\$ 800,927</u>	 <u>\$ 1,152,873</u>

**City of Reedsport, OREGON**

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
as of June 30, 2018**

	<u>Bicycle/ Footpath Fund</u>	<u>Fire Equipment Fund</u>	<u>Riverfront Fund</u>	<u>Dial A Ride Fund</u>	<u>Library Fund</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 45,035	\$ 45,312	\$ 90,717	\$ 13,609	\$ 104,487	\$ 299,160
Receivables						
Accounts	0	0	10,296	0	0	10,296
Intergovernmental	256	2,356	0	5,001	0	7,613
Due from other funds	0	0	12,874	0	0	12,874
Inventories	<u>0</u>	<u>0</u>	<u>33,580</u>	<u>0</u>	<u>0</u>	<u>33,580</u>
 Total assets	<u>\$ 45,291</u>	<u>\$ 47,668</u>	<u>\$ 147,467</u>	<u>\$ 18,610</u>	<u>\$ 104,487</u>	<u>\$ 363,523</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	\$ 0	\$ 0	\$ 5,750	\$ 836	\$ 0	\$ 6,586
Payroll and related liabilities	<u>0</u>	<u>0</u>	<u>4,991</u>	<u>0</u>	<u>0</u>	<u>4,991</u>
 Total liabilities	0	0	10,741	836	0	11,577
<b>Fund Balance</b>						
Committed	<u>45,291</u>	<u>47,668</u>	<u>136,726</u>	<u>17,774</u>	<u>104,487</u>	<u>351,946</u>
 Total liabilities and fund balance	<u>\$ 45,291</u>	<u>\$ 47,668</u>	<u>\$ 147,467</u>	<u>\$ 18,610</u>	<u>\$ 104,487</u>	<u>\$ 363,523</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, 2018**

	Bicycle/Footpath Fund	Fire Equipment Fund	Riverfront Fund	Dial A Ride Fund	Library Fund	Total
<b>REVENUES</b>						
Taxes	\$ 2,679	\$ 0	\$ 49,757	\$ 0	\$ 0	\$ 52,436
Charges for services	0	12,582	78,487	3,503	3,894	98,466
Grants	0	159,000	0	0	67,470	226,470
Donations	0	0	0	0	57,362	57,362
Investment earnings	610	1,870	1,386	217	470	4,553
Other revenue	0	3,350	14,934	27,729	215	46,228
<b>Total revenues</b>	<u>3,289</u>	<u>176,802</u>	<u>144,564</u>	<u>31,449</u>	<u>129,411</u>	<u>485,515</u>
<b>EXPENDITURES</b>						
Culture and recreation	0	326,883	0	0	41,844	368,727
Dial A Ride	0	0	0	34,855	0	34,855
Public Safety	0	0	133,088	0	0	133,088
<b>Total expenditures</b>	<u>0</u>	<u>326,883</u>	<u>133,088</u>	<u>34,855</u>	<u>41,844</u>	<u>536,670</u>
Excess (def) of revenues over expenditures	<u>3,289</u>	<u>(150,081)</u>	<u>11,476</u>	<u>(3,406)</u>	<u>87,567</u>	<u>(51,155)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	0	15,000	12,500	21,180	16,920	65,600
Transfers out	0	(2,542)	0	0	0	(2,542)
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>12,458</u>	<u>12,500</u>	<u>21,180</u>	<u>16,920</u>	<u>63,058</u>
Excess (def) of revenues over expenditures and transfers	3,289	(137,623)	23,976	17,774	104,487	11,903
<b>FUND BALANCES - Beginning of year</b>	<u>42,002</u>	<u>185,291</u>	<u>112,750</u>	<u>0</u>	<u>0</u>	<u>340,043</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 45,291</u>	<u>\$ 47,668</u>	<u>\$ 136,726</u>	<u>\$ 17,774</u>	<u>\$ 104,487</u>	<u>\$ 351,946</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**BICYCLE/FOOTPATH FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fuel taxes	\$ 2,400	\$ 2,679	\$ 279
Investment earnings	<u>200</u>	<u>610</u>	<u>410</u>
 Total revenues	 2,600	 3,289	 689
 <b>EXPENDITURES</b>			
Capital outlay	<u>44,100</u>	<u>0</u>	<u>44,100</u>
 Excess (def) of revenues over expenditures	 (41,500)	 3,289	 44,789
 FUND BALANCE - Beginning of year	 <u>41,500</u>	 <u>42,002</u>	 <u>502</u>
 FUND BALANCE - End of year	 <u><u>\$ 0</u></u>	 <u><u>\$ 45,291</u></u>	 <u><u>\$ 45,291</u></u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**FIRE EQUIPMENT FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Charges for services	\$ 12,000	\$ 12,000	\$ 12,582	\$ 582
USDA grant	0	159,000	159,000	0
Interest	600	600	1,870	1,270
Miscellaneous	<u>0</u>	<u>0</u>	<u>3,350</u>	<u>3,350</u>
 Total revenues	 <u>12,600</u>	 <u>171,600</u>	 <u>176,802</u>	 <u>5,202</u>
<b>EXPENDITURES</b>				
Materials and services	6,000	6,000	0	6,000
Capital outlay	<u>181,600</u>	<u>340,600</u>	<u>326,883</u>	<u>13,717</u>
 Total expenditures	 <u>187,600</u>	 <u>346,600</u>	 <u>326,883</u>	 <u>19,717</u>
 Excess (def) of revenues over expenditures	 <u>(175,000)</u>	 <u>(175,000)</u>	 <u>(150,081)</u>	 <u>24,919</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,000	15,000	15,000	0
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,542)</u>	<u>2,458</u>
 Total other financing sources (uses)	 <u>10,000</u>	 <u>10,000</u>	 <u>12,458</u>	 <u>2,458</u>
 Excess (def) of revenues over expenditures and transfers	 <u>(165,000)</u>	 <u>(165,000)</u>	 <u>(137,623)</u>	 <u>27,377</u>
 FUND BALANCE - Beginning of year	 <u>165,000</u>	 <u>165,000</u>	 <u>185,291</u>	 <u>20,291</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 47,668</u>	 <u>\$ 47,668</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**RIVERFRONT FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Lodging taxes	\$ 20,500	\$ 49,757	\$ 29,257
Charges for services	70,200	78,487	8,287
Investment earnings	300	1,386	1,086
Other revenue	<u>14,850</u>	<u>14,934</u>	<u>84</u>
 Total revenues	 <u>105,850</u>	 <u>144,564</u>	 <u>38,714</u>
<b>EXPENDITURES</b>			
Personnel services	81,530	77,593	3,937
Materials and services	<u>76,820</u>	<u>55,674</u>	<u>21,146</u>
 Total expenditures	 <u>158,350</u>	 <u>133,267</u>	 <u>25,083</u>
 Excess (def) of revenues over expenditures	 (52,500)	 11,297	 63,797
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	<u>12,500</u>	<u>12,500</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (40,000)	 23,797	 63,797
<b>GAAP ADJUSTMENT</b>			
Compensated absences	0	179	179
 FUND BALANCE - Beginning of year	 <u>40,000</u>	 <u>112,750</u>	 <u>72,750</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 136,726</u>	 <u>\$ 136,726</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**DIAL-A-RIDE FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Dial-A-Ride fees	\$ 3,000	\$ 3,000	\$ 3,503	\$ 503
Dial-A-Ride donations	50	50	0	50
Dial-A-Ride transient funding	20,000	20,000	27,729	7,729
Interest	<u>150</u>	<u>150</u>	<u>217</u>	<u>67</u>
 Total revenues	 <u>23,200</u>	 <u>23,200</u>	 <u>31,449</u>	 <u>8,249</u>
 <b>EXPENDITURES</b>				
Personnel services	11,800	11,800	11,493	307
Materials and services	21,400	24,400	23,362	1,038
Capital outlay	<u>11,180</u>	<u>8,180</u>	<u>0</u>	<u>8,180</u>
 Total expenditures	 <u>44,380</u>	 <u>44,380</u>	 <u>34,855</u>	 <u>9,525</u>
 Excess (def) of revenues over expenditures	 (21,180)	 (21,180)	 (3,406)	 17,774
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>21,180</u>	<u>21,180</u>	<u>21,180</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 0	 0	 17,774	 17,774
 FUND BALANCE - Beginning of year	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
 FUND BALANCE - End of year	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 17,774</u></u>	 <u><u>\$ 17,774</u></u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**LIBRARY FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Library donations	\$ 5,000	\$ 11,354	\$ 6,354
Summer reading program	0	1,331	1,331
Fundraisers	0	215	215
CDABA reimbursements	0	9,220	9,220
John Warden funds	0	46,008	46,008
Grants	20,000	58,250	38,250
Library cards	0	92	92
Copier fees	250	1,317	1,067
Library Cafe revenue	0	588	588
Library fines & fees	0	566	566
Interest	150	470	320
	<hr/>	<hr/>	<hr/>
Total revenues	25,400	129,411	104,011
<b>EXPENDITURES</b>			
Personnel services	2,920	2,610	310
Materials and services	19,400	19,265	135
Contracted services	20,000	19,969	31
	<hr/>	<hr/>	<hr/>
Total expenditures	42,320	41,844	476
Excess (def) of revenues over expenditures	(16,920)	87,567	104,487
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	16,920	16,920	0
	<hr/>	<hr/>	<hr/>
Excess (def) of revenues over expenditures	0	104,487	104,487
FUND BALANCE - Beginning of year	0	0	0
	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of year	\$ 0	\$ 104,487	\$ 104,487
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF REEDSPORT  
OREGON**

**GOVERNMENTAL  
Nonmajor - Capital Projects Funds**

**City of Reedsport, OREGON**

**COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS**  
as of June 30, 2018

	General Capital Improvement Fund	Street Capital Equipment Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 180,961	\$ 395,956	\$ 576,917
Intergovernmental receivable	338,578	0	338,578
Notes receivable	<u>20,862</u>	<u>0</u>	<u>20,862</u>
 Total assets	 <u>\$ 540,401</u>	 <u>\$ 395,956</u>	 <u>\$ 936,357</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>	\$ 135,430	\$ 0	\$ 135,430
 <b>Fund Balance</b>			
Committed	<u>404,971</u>	<u>395,956</u>	<u>800,927</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 540,401</u>	 <u>\$ 395,956</u>	 <u>\$ 936,357</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, 2018**

	General Capital Improvement Fund	Street Capital Equipment Fund	Total
<b>REVENUES</b>			
Interest earnings	\$ 4,143	\$ 6,499	\$ 10,642
Grants	783,917	0	783,917
Miscellaneous	<u>1,545</u>	<u>3,201</u>	<u>4,746</u>
Total revenues	<u>789,605</u>	<u>9,700</u>	<u>799,305</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>978,156</u>	<u>261,744</u>	<u>1,239,900</u>
Total expenditures	<u>978,156</u>	<u>261,744</u>	<u>1,239,900</u>
Excess (def) of revenues over expenditures	(188,551)	(252,044)	(440,595)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>125,000</u>	<u>94,500</u>	<u>219,500</u>
Excess (def) of revenues over expenditures and transfers	(63,551)	(157,544)	(221,095)
FUND BALANCES - Beginning of year	<u>468,522</u>	<u>553,500</u>	<u>1,022,022</u>
FUND BALANCES - End of year	<u>\$ 404,971</u>	<u>\$ 395,956</u>	<u>\$ 800,927</u>

**City of Reedsport, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**GENERAL CAPITAL IMPROVEMENT FUND**

	Original and Final Budget	Actual	Variance
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Investment earnings	\$ 2,000	\$ 4,143	\$ 2,143
Other revenue	500	1,545	1,045
Grants and contracts	<u>1,287,000</u>	<u>783,917</u>	<u>(503,083)</u>
 Total revenue	 <u>1,289,500</u>	 <u>789,605</u>	 <u>(499,895)</u>
 <b>EXPENDITURES</b>			
Capital outlay	<u>1,710,500</u>	<u>978,156</u>	<u>732,344</u>
 Excess (def) of revenues over expenditures	 (421,000)	 (188,551)	 232,449
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	<u>125,000</u>	<u>125,000</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (296,000)	 (63,551)	 232,449
Unappropriated ending fund balance	(124,000)	0	(124,000)
 FUND BALANCE - Beginning of year	 <u>420,000</u>	 <u>468,522</u>	 <u>(48,522)</u>
 FUND BALANCE - End of year	 <u><u>\$</u></u>	 <u><u>\$ 404,971</u></u>	 <u><u>404,971</u></u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**STREET CAPITAL EQUIPMENT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest earnings	\$ 3,185	\$ 6,499	\$ 3,314
ODOT SCA Grant	50,000	0	(50,000)
Miscellaneous	<u>0</u>	<u>3,201</u>	<u>3,201</u>
 Total revenues	 53,185	 9,700	 (43,485)
<b>EXPENDITURES</b>			
Capital outlay	<u>672,685</u>	<u>261,744</u>	<u>410,941</u>
 Excess (def) of revenues over expenditures	 (619,500)	 (252,044)	 367,456
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>94,500</u>	<u>94,500</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (525,000)	 (157,544)	 367,456
 FUND BALANCE - Beginning of year	 <u>525,000</u>	 <u>553,500</u>	 <u>28,500</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 395,956</u>	 <u>\$ 395,956</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**LIBRARY FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Library donations	\$ 5,000	\$ 11,354	\$ 6,354
Summer reading program	0	1,331	1,331
Fundraisers	0	215	215
CDABA reimbursements	0	9,220	9,220
John Warden funds	0	46,008	46,008
Grants	20,000	58,250	38,250
Library cards	0	92	92
Copier fees	250	1,317	1,067
Library Cafe revenue	0	588	588
Library fines & fees	0	566	566
Interest	150	470	320
	<hr/>	<hr/>	<hr/>
Total revenues	25,400	129,411	104,011
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Personnel services	2,920	2,610	310
Materials and services	19,400	19,265	135
Contracted services	20,000	19,969	31
	<hr/>	<hr/>	<hr/>
Total expenditures	42,320	41,844	476
	<hr/>	<hr/>	<hr/>
Excess (def) of revenues over expenditures	(16,920)	87,567	104,487
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	16,920	16,920	0
	<hr/>	<hr/>	<hr/>
Excess (def) of revenues over expenditures	0	104,487	104,487
	<hr/>	<hr/>	<hr/>
FUND BALANCE - Beginning of year	0	0	0
	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of year	\$ 0	\$ 104,487	\$ 104,487
	<hr/>	<hr/>	<hr/>

**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, 2018**

**WATER UTILITY FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Charges for services	\$ 773,000	\$ 773,000	\$ 751,778	\$ (21,222)
Investment earnings	2,550	2,550	4,721	2,171
Other revenue	<u>8,050</u>	<u>8,050</u>	<u>42,336</u>	<u>34,286</u>
Total revenues	<u>783,600</u>	<u>783,600</u>	<u>798,835</u>	<u>15,235</u>
<b>EXPENDITURES</b>				
Personnel services	337,350	277,520	263,224	14,296
Materials and services	307,700	367,530	281,019	86,511
Capital outlay	8,030	8,030	0	8,030
Contingency	<u>13,130</u>	<u>13,130</u>	<u>0</u>	<u>13,130</u>
Total expenditures	<u>666,210</u>	<u>666,210</u>	<u>544,243</u>	<u>121,967</u>
Excess (def) of revenues over expenditures	<u>117,390</u>	<u>117,390</u>	<u>254,592</u>	<u>137,202</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,260	6,260	6,256	4
Transfers out	<u>(223,650)</u>	<u>(223,650)</u>	<u>(223,650)</u>	<u>0</u>
Total other financing sources (uses)	<u>(217,390)</u>	<u>(217,390)</u>	<u>(217,394)</u>	<u>4</u>
Excess (def) of revenues over expenditures and transfers	(100,000)	(100,000)	37,198	137,198
FUND BALANCE - Beg. of year (Budget basis)	<u>100,000</u>	<u>100,000</u>	<u>170,723</u>	<u>70,723</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	207,921	<u>\$ 207,921</u>
<b>GAAP Adjustments - Reconciled to June 2017</b>			5,181,341	
Capital asset activity				
Capital asset acquisition			797,921	
Capital asset disposition			(189,297)	
Depreciation			(186,345)	
Pension activity, net			<u>(28,208)</u>	
FUND BALANCE - End of Year			<u>\$ 5,783,333</u>	

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WATER SYSTEM DEVELOPMENT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest earnings	\$      400	\$      1,007	\$      607
<b>EXPENDITURES</b>			
Capital outlay	<u>      73,000</u>	<u>              0</u>	<u>      73,000</u>
Excess (def) of revenues over expenditures	(72,600)	1,007	73,607
FUND BALANCE - Beg. of year (Budget basis)	<u>      72,600</u>	<u>      72,677</u>	<u>          77</u>
FUND BALANCE - End of year (Budget basis)	<u><u>          0</u></u>	<u><u>      73,684</u></u>	<u><u>      73,684</u></u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WATER CAPITAL IMPROVEMENT FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Interest earnings	\$ 8,000	\$ 8,000	\$ 12,540	\$ 4,540
Grants	<u>0</u>	<u>118,000</u>	<u>105,554</u>	<u>(12,446)</u>
Total revenues	8,000	126,000	118,094	(7,906)
<b>EXPENDITURES</b>				
Capital outlay	<u>1,405,500</u>	<u>1,523,500</u>	<u>817,553</u>	<u>705,947</u>
Excess (def) of revenues over expenditures	(1,397,500)	(1,397,500)	(699,459)	698,041
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>172,500</u>	<u>172,500</u>	<u>172,500</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(1,225,000)	(1,225,000)	(526,959)	698,041
FUND BALANCE - Beg. of year (Budget basis)	<u>1,225,000</u>	<u>1,225,000</u>	<u>1,329,454</u>	<u>104,454</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	<u>802,495</u>	<u>\$ 802,495</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WATER SPWF DEBT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest earnings	\$ 0	\$ 60	\$ 60
Total revenues	0	60	60
<b>EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (def) of revenues over expenditures	0	60	60
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>6,260</u>	<u>6,256</u>	<u>4</u>
Excess (def) of revenues over expenditures and transfer	(6,260)	(6,196)	64
FUND BALANCE - Beg. of year (Budget basis)	<u>6,260</u>	<u>6,264</u>	<u>4</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	(68)	<u>\$ (68)</u>
<b>GAAP Adjustments - Reconciled to June 2017</b>		<u>(68)</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$ 0</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, 2018**

**WATER UTILITY FUND**

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
<b>Budgetary Basis</b>			
Water Utility Fund	\$ 805,091	\$ 767,893	\$ 37,198
Water Systems Development Fund	1,007	0	1,007
Water Capital Improvement Fund	290,594	817,553	(526,959)
Water SPWF Debt Fund	<u>60</u>	<u>6,256</u>	<u>(6,196)</u>
 Total budgetary basis	 <u>\$ 1,096,752</u>	 <u>\$ 1,591,702</u>	 (494,950)
 <b>Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis</b>			
 Capital asset activity			
Additions			797,921
Depreciation			(186,345)
 Asset disposition			(189,297)
Pension activity, net			<u>(28,208)</u>
 Change in net position			(100,879)
 NET POSITION - Beginning of year			<u>6,760,391</u>
 NET POSITION - End of year			<u>\$ 6,659,512</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WASTEWATER UTILITY FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 1,823,000	\$ 1,895,634	\$ 72,634
Interest earnings	4,500	9,142	4,642
Other revenue	<u>1,500</u>	<u>9,888</u>	<u>8,388</u>
 Total revenues	 <u>1,829,000</u>	 <u>1,914,664</u>	 <u>85,664</u>
<b>EXPENDITURES</b>			
Personnel services	362,865	333,899	28,966
Materials and services	437,725	357,687	80,038
Capital outlay	145,000	2,654	142,346
Contingency	<u>50,000</u>	<u>0</u>	<u>50,000</u>
 Total expenditures	 <u>995,590</u>	 <u>694,240</u>	 <u>301,350</u>
 Excess (def) of revenues over expenditures	 833,410	 1,220,424	 387,014
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(1,153,410)</u>	<u>(1,153,410)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (320,000)	 67,014	 387,014
 FUND BALANCE - Beg. of year (Budget basis)	 <u>320,000</u>	 <u>341,970</u>	 <u>21,970</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 408,984	 <u>\$ 408,984</u>
 <b>GAAP Adjustments - Reconciled to June 2017</b>		15,403,768	
Capital asset activity			
Additions		35,600	
Depreciation		(731,395)	
Pension activity, net		<u>(23,562)</u>	
 FUND BALANCE - End of year		 <u>\$ 15,093,395</u>	

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WASTEWATER DEQ DEBT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Investment earnings	\$ 4,500	\$ 10,134	\$ 5,634
<b>EXPENDITURES</b>			
Debt Service	<u>573,400</u>	<u>573,373</u>	<u>27</u>
Excess (def) of revenues over expenditures	<u>(568,900)</u>	<u>(563,239)</u>	<u>5,661</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	573,400	573,400	0
Transfers out	<u>(430,000)</u>	<u>0</u>	<u>430,000</u>
Total other financing sources (uses)	<u>143,400</u>	<u>573,400</u>	<u>430,000</u>
Excess (def) of revenues over expenditures and transfers	(425,500)	10,161	435,661
Unappropriated ending fund balance	(389,500)	0	389,500
FUND BALANCE - Beg. of year (Budget basis)	<u>815,000</u>	<u>815,949</u>	<u>949</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	826,110	<u>\$ 826,110</u>
<b>GAAP Adjustments - Reconciled to June 2017</b>		(11,396,833)	
Principal payments		507,657	
Accrued interest		<u>(41,362)</u>	
FUND BALANCE - End of year		<u>\$ (10,104,428)</u>	

**City of Reedsport, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WASTEWATER IFA DEBT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Investment earnings	\$ 350	\$ 1,102	\$ 752
<b>EXPENDITURES</b>			
Debt Service	<u>154,260</u>	<u>154,247</u>	<u>13</u>
Excess (def) of revenues over expenditures	(153,910)	(153,145)	765
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>154,260</u>	<u>154,260</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	350	1,115	765
Unappropriated ending fund balance	(102,530)	0	102,530
FUND BALANCE - Beg. of year (Budget basis)	<u>102,180</u>	<u>102,349</u>	<u>169</u>
FUND BALANCE - End of year (Budget basis)	<u><u>0</u></u>	<u><u>\$ 103,464</u></u>	<u><u>\$ 103,464</u></u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WASTEWATER SYSTEM DEVELOPMENT FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Interest earnings	\$ 750	\$ 3,954	\$ 3,204
SDC Fees	<u>0</u>	<u>0</u>	<u>0</u>
Total revenues	750	3,954	3,204
<b>EXPENDITURES</b>			
Capital outlay	<u>136,000</u>	<u>0</u>	<u>136,000</u>
Excess (def) of revenues over expenditures	(135,250)	3,954	139,204
FUND BALANCE - Beg. of year (Budget basis)	<u>135,250</u>	<u>285,597</u>	<u>150,347</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 289,551</u>	<u>\$ 289,551</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**WASTEWATER CAPITAL IMPROVEMENT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Investment earnings	\$ 10,000	\$ 31,089	\$ 21,089
<b>EXPENDITURES</b>			
Capital outlay	<u>2,341,500</u>	<u>73,460</u>	<u>2,268,040</u>
Excess (def) of revenues over expenditures	(2,331,500)	(42,371)	2,289,129
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>331,500</u>	<u>331,500</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(2,000,000)	289,129	2,289,129
FUND BALANCE - Beg. of year (Budget basis)	<u>2,000,000</u>	<u>2,085,309</u>	<u>85,309</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 2,374,438</u>	<u>\$ 2,374,438</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, 2018**

**WASTEWATER UTILITY FUND**

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
<b>Budgetary Basis</b>			
Wastewater Utility Fund	\$ 1,914,664	\$ 1,847,650	\$ 67,014
Wastewater DEQ Debt Fund	583,534	573,373	10,161
Wastewater IFA Debt Fund	155,362	154,247	1,115
Wastewater System Development Fund	3,954	0	3,954
Wastewater Capital Improvement Fund	<u>362,589</u>	<u>73,460</u>	<u>289,129</u>
 Total budgetary basis	 <u>\$ 3,020,103</u>	 <u>\$ 2,648,730</u>	 371,373
<b>Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis</b>			
Capital asset activity			
Additions			35,600
Depreciation			(731,395)
Long-term debt activity			
Principal payments			507,657
Interest accrued			(41,362)
Pension activity, net			<u>(23,562)</u>
 Change in net position			 118,311
 NET POSITION - Beginning of year			 <u>7,638,109</u>
 NET POSITION - End of year			 <u>\$ 7,756,420</u>

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**STORMWATER UTILITY FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 72,000	\$ 70,105	\$ (1,895)
Interest earnings	450	1,070	620
Miscellaneous	<u>150</u>	<u>3,029</u>	<u>2,879</u>
 Total revenues	 <u>72,600</u>	 <u>74,204</u>	 <u>1,605</u>
<b>EXPENDITURES</b>			
Personnel services	19,845	18,438	1,407
Materials and services	43,955	32,180	11,775
Capital outlay	20,000	2,200	17,800
Contingency	<u>1,950</u>	<u>0</u>	<u>1,950</u>
 Total expenditures	 <u>85,750</u>	 <u>52,818</u>	 <u>32,932</u>
 Excess (def) of revenues over expenditures	 (13,150)	 21,386	 (34,536)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in/out	<u>(41,850)</u>	<u>(41,850)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (55,000)	 (20,464)	 34,536
 FUND BALANCE - Beg. of year (Budget basis)	 <u>55,000</u>	 <u>62,135</u>	 <u>7,135</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 41,671	 <u>\$ 41,671</u>
 <b>GAAP Adjustments - Reconciled to June 2017</b>		939,817	
Capital asset activity			
Additions		246,140	
Depreciation		(11,089)	
Long-term debt activity			
Principal payments		7,410	
Interest accrued		(19)	
Pension activity, net		<u>(1,754)</u>	
 FUND BALANCE - End of Year		 <u>\$ 1,222,176</u>	

**City of Reedsport, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

**STORMWATER SYSTEM DEVELOPMENT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest earnings	\$          40	\$          85	\$          45
<b>EXPENDITURES</b>			
Capital outlay	<u>6,140</u>	<u>0</u>	<u>6,140</u>
Excess (def) of revenues over expenditures	(6,100)	85	6,185
FUND BALANCE - Beg. of year (Budget basis)	<u>6,100</u>	<u>6,149</u>	<u>49</u>
FUND BALANCE - End of year (Budget basis)	<u>\$          0</u>	<u>\$        6,234</u>	<u>\$        6,234</u>

City of Reedsport, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018

STORMWATER CAPITAL IMPROVEMENT FUND

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Interest earnings	\$ 1,000	\$ 1,000	\$ 3,065	\$ 2,065
Grant income	<u>0</u>	<u>94,084</u>	<u>94,084</u>	<u>0</u>
Total revenues	1,000	95,084	97,149	2,065
<b>EXPENDITURES</b>				
Capital outlay	<u>607,150</u>	<u>701,234</u>	<u>337,700</u>	<u>363,534</u>
Excess (def) of revenues over expenditures	(606,150)	(606,150)	(240,551)	365,599
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in/out	<u>406,150</u>	<u>406,150</u>	<u>406,150</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(200,000)	(200,000)	165,599	365,599
FUND BALANCE - Beg. of year (Budget basis)	<u>200,000</u>	<u>200,000</u>	<u>93,947</u>	<u>106,053</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 259,546</u>	<u>\$ 259,546</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, 2018**

**STORMWATER UTILITY FUND**

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Net</u>
<b>Budgetary Basis</b>			
Stormwater Utility Fund	\$ 74,204	\$ 94,668	\$ (20,464)
Stormwater System Development Fund	85	0	85
Stormwater Capital Improvement Fund	<u>503,299</u>	<u>337,700</u>	<u>165,599</u>
 Total budgetary basis	 <u>\$ 577,588</u>	 <u>\$ 432,368</u>	 145,220
<b>Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis</b>			
Capital asset activity			
Additions			246,140
Depreciation			(11,089)
Long-term debt activity			
Principal payments			7,410
Interest accrued			(19)
Pension activity, net			<u>(1,754)</u>
 Change in net position			 385,908
 NET POSITION - Beginning of year			 <u>1,102,048</u>
 NET POSITION - End of year			 <u>\$ 1,487,956</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, 2018**

**DUNES NRA LEASE FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Lease - rent	\$ 95,000	\$ 96,206	\$ 1,206
Interest	600	1,125	525
Construction loan	1,200,000	0	(1,200,000)
Other revenue	<u>200</u>	<u>224</u>	<u>24</u>
 Total revenues	 <u>1,295,800</u>	 <u>97,555</u>	 <u>(1,198,245)</u>
<b>EXPENDITURES</b>			
Personnel services	37,830	32,699	5,131
Materials and services	23,490	11,979	11,511
Capital outlay	<u>1,339,780</u>	<u>79,780</u>	<u>1,260,000</u>
 Total expenditures	 <u>1,401,100</u>	 <u>124,458</u>	 <u>1,276,642</u>
 Excess (def) of revenues over expenditures	 (105,300)	 (26,903)	 78,397
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(4,700)</u>	<u>(4,700)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (110,000)	 (31,603)	 78,397
 FUND BALANCE - Beg. of year (Budget basis)	 <u>110,000</u>	 <u>111,563</u>	 <u>1,563</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 79,960	 <u>\$ 79,960</u>
 <b>GAAP Adjustments - Reconciled to June 2017</b>		300,698	
Capital asset aquisition		79,780	
Depreciation		(30,124)	
Pension income (expense)		<u>(2,092)</u>	
 NET POSITION - End of year		 <u>\$ 428,222</u>	

**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

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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

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, 2018, 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 September 13, 2019. 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's 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

## Reporting

The City received an extension for filing with Oregon Secretary of State its annual report but was unable to meet the approved deadline.

## Internal Control Over Financial Reporting

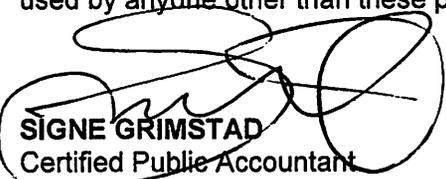
In planning and performing my audit of the financial statements, I considered City of Reedsport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, 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  
September 13, 2019

**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  
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Reedsport, Oregon

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated September 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the 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.

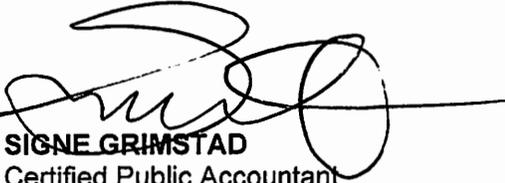
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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  
September 13, 2019