

**CITY OF REEDSPORT
OREGON**

AUDIT REPORT

JUNE 30, 2016

Prepared By
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Certified Public Accountant
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PO Box 1930
Newport, Oregon 97365

CITY OF REEDSPORT, OREGON

LIST OF OFFICERS

CITY COUNCIL

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

MANAGEMENT TEAM

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

REGISTERED AGENT

None

CITY OF REEDSPORT, OREGON

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GRIMSTAD & ASSOCIATES
Certified Public Accountants

February 3, 2017

INDEPENDENT AUDITOR'S REPORT

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Newport, OR 97365
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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, 2016, 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, 2016, 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.

Members:
AICPA OSCP & OAIA

Other Matters

Required Supplementary Information

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

Other Supplemental Information

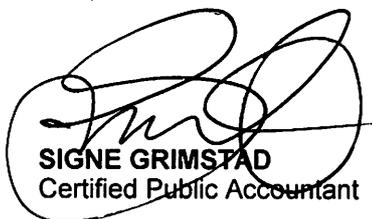
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedsport's basic financial statements. The combining statements, individual budget and actual schedules, and the reconciliation of budgetary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, combining statements, budget and actual schedules, and the reconciliation of budgetary schedules, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 3, 2017, on my consideration of the City of Reedsport's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Reedsport's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated February 3, 2017 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

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, 2016.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$21 million (*net position*); of this amount, \$6.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position decreased by \$47 thousand.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$5.8 million, an decrease of \$2.6 million in comparison with the prior year. Approximately \$1.9 million of this total is available for spending at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, the unrestricted fund balance of the General Fund was \$1 million, or 46 percent of total general fund expenditures.
- The City's total debt decreased by \$558 thousand (4%) during the current fiscal year. The major portion of the decrease is due to yearly debt repayment of utility debts.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused time off).

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

The City has four proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for water, wastewater, stormwater and building rental services.

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

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

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

Other information.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$21 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (64%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Reedsport's Net Position, in thousands

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	Restated 2015	2016	Restated 2015
Current and other assets	2,770	2,989	5,865	5,521	8,635	8,510
Capital assets	3,567	3,615	22,071	22,474	25,638	26,089
Pension asset	-	97	-	31	-	128
Total assets	6,337	6,701	27,936	28,026	34,273	34,727
Deferred outflows	76	27	25	8	101	35
Total assets and deferred outflows	6,413	6,728	27,961	28,034	34,374	34,762
Long-term liabilities outstanding	43	42	11,621	12,144	11,664	12,186
Other liabilities	120	286	716	724	836	1,010
Pension liability	345	0	119	0	464	0
Total liabilities	508	328	12,456	12,868	12,964	13,196
Deferred inflows	117	198	36	63	153	261
Total liabilities and deferred inflows	625	526	12,492	12,931	13,117	13,457
Net position:						
Net invested in capital assets	3,567	3,615	10,053	9,889	13,620	13,504
Restricted	295	854	1,204	1,200	1,499	2,054
Unrestricted	1,926	1,733	4,213	4,044	6,139	5,777
Total net position-restated	5,788	6,202	15,470	15,103	21,258	21,305

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* 29% (\$6,139) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position decreased by \$47 thousand during the fiscal year. This decrease in position represents a decrease partially due to the City's water treatment plant, water system infrastructure, wastewater treatment plant and collection system. This decline was also the result of funds expended in order to perform levee analysis and engineering of future improvements, in order to bring the system back into compliance with FEMA and the Army Corp. of Engineers certification standards. Lastly, significant staff changes occurred in the 2015/16 fiscal year, which required payouts of unfunded payroll liabilities for two long-time employees who retired. This net position decrease also represents the increase of ongoing revenue, however expenses exceeded revenues.

Governmental Activities

Governmental activities decreased the City's net position by \$414 thousand.

Governmental Business. Change in net position is as follows:

	Governmental		Business-Type		Total	
	Activities		Activities		Restated	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	361	349	2,827	2,868	3,188	3,217
Operating grants/contributions	31	11	158	10	189	21
Capital grants and contributions	91	56	-	6	91	62
General revenues:						
Property taxes	1,416	1,361	0	0	1,416	1,361
Other taxes	799	764	0	0	799	764
Other Revenue	139	153	0	0	139	153
Investment income	16	11	38	26	54	37
Total revenues	2,853	2,705	3,023	2,910	5,876	5,615
Expenses:						
General government	1,127	767	0	0	1,127	767
Public safety	1,567	1,320	0	0	1,567	1,320
Highways and streets	192	182	0	0	192	182
Culture and recreation	232	281	0	0	232	281
Water	0	0	843	734	843	734
Wastewater	0	0	1,694	1,694	1,694	1,694
Stormwater	0	0	213	78	213	78
Dunes NRA Lease	0	0	55	59	55	59
Total expenses	3,118	2,550	2,805	2,565	5,923	5,116
Excess (def) of revenues over expenses	(265)	155	218	345	(47)	500
Transfers	(149)	162	149	(162)	0	0
Change in net position	(414)	317	367	183	(47)	500
Beginning net position-restated	6,202	5,885	15,103	14,871	21,305	20,805
Ending net position	5,788	6,202	15,470	15,103	21,258	21,305

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 \$5.8 million, a decrease of \$414 thousand in comparison with the prior year. Approximately \$1.9 million of the total amount constitutes unrestricted fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total unrestricted fund balance reached \$1.9 million.

The fund balance of the City's General Fund decreased by \$18 thousand during the current fiscal year, down from the previous year, mostly as the result of the retirement and payout of two long-time employees of the City. Court fines and forfeitures revenues came in approximately 13% under budget this year, likely due to turnover in Police Department personnel. From a collective view, however, General Fund revenue came in slightly over budget, likely due to increased property tax revenues and franchise fees.

General Fund Budgetary Highlights

Staff continues to maintain a conservative approach to expending funds. Differences between the original budget and final budget were relatively minor and are mostly attributable to the restructuring of City Hall staff, which resulted from the retirement of two long-time employees and the subsequent payoff of their payroll liabilities. The payout of those staff persons made a significant impact on the budget, as well, did numerous grant awards that were secured and used towards the levee certification process and the LIONs Park Playground Equipment installation, which the City partnered with Lower Umpqua Hospital on.

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, 2016 amounts to \$26 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, systems, park facilities, roads, bridges, culverts and wastewater treatment plant construction.

Major capital asset events during the current fiscal year included the completion of the Library Renovation project, the purchase of vehicles and other heavy equipment, the purchase of Lion's Park playground equipment, construction in progress expenditures for the Levee, Highlands-Garden Waterline, and water plant improvement projects, 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		Business-Type		Total	
	Activity		Activity			
	2016	2015	2016	2015	2016	2014
Land	\$ 770	\$ 770	\$ 113	\$ 113	\$ 883	\$ 883
Construction in progress	53	316	430	39	483	355
Buildings	880	562	348	363	1,228	925
Machinery and equipment	1,132	1,190	79	55	1,211	1,245
Infrastructure / Systems	732	777	21,102	21,904	21,834	22,681
	<u>\$ 3,567</u>	<u>\$ 3,615</u>	<u>\$ 22,072</u>	<u>\$ 22,474</u>	<u>\$ 25,639</u>	<u>\$ 26,089</u>

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

Long-term liabilities

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

	Governmental		Business Type		Total	
	Activity		Activity			
	2016	2015	2016	2015	2016	2015
Loans payable			2,168	2,251	2,168	2,251
Compensated absences	104	103	55	50	159	153
Revenue bonds			9,853	10,334	9,853	10,334
Total	<u>\$ 104</u>	<u>\$ 103</u>	<u>\$ 12,076</u>	<u>\$ 12,635</u>	<u>\$ 12,180</u>	<u>\$ 12,738</u>

Economic Factors and Next Year's Budgets and Rates.

The City's economic picture will change very little in the next year due to the slow economic recovery along the entire south coast of Oregon. This slow economic recovery exacerbates the effects of property tax compression, as a result of Measure 50 and Measure 5. Property tax compression increases as real property assessed values move closer to real market values. Another contributing factor is the City's inability to adjust utility rates resulting from Measure 10-119. Past attempts to adjust the City's utility rates has resulted in strong opposition, even when the City attempted to adjust rates down for one utility and up for another resulting in no net increase in rates. Several staffing positions continue to remain unfilled to offset the revenue loss. In an effort to offset the increased workloads of those remaining staff, the City has looked to technological improvements and online services to reduce foot traffic inside City Hall. It is with great hope that as the economic climate improves with new industrial developments on the horizon due to the sale of the long-vacant IP property in Gardiner and the expansion of Fred Wahl Marine Construction, that General fund revenues start to increase and the City is able to bring back some of those positions that were lost.

There is a local effort to start a Library Tax District as a result of the County's defunding of that County's library system. If passed, this new tax will increase the number of properties in tax compression further reducing revenues from the City. If passed this new tax will not take effect until 2018/19.

The last wastewater utility increase was in January of 2011 to meet the requirements of debt repayment of the Wastewater treatment facility and collection system updates. At that time, Council adopted an asset management plan which includes a schedule of wastewater rate increases for both the metered users and the non-metered users. Reedsport is still a flat rate utility system with property owners installing water meters at their option and cost. Since many of the households installing meters are those of 1-2 persons or even second homes that remain vacant for much of the year, their savings in water/sewer fees is a loss in revenues to the City. As more meters go in, revenues (mostly wastewater) continue to decrease. In May 2015, the City retired the wastewater DEQ loan and through an agreement with DEQ,

replaced it with a revenue bond. The bond has a lower interest rate and extended payment terms which will eliminate the need to increase wastewater utility rates to meet debt repayment obligations.

The Water Utility monthly service rates are anticipated to remain the same as the previous year. The City has adequately set money aside for an upgrade to the water treatment plant, to a UV system. Since the funds have been earmarked for this project, no debt will be incurred, and no rate increases are anticipated.

The Storm Water Utility monthly service rates will likely need to be adjusted at some point in the next few years. This is in response to a preliminary analysis being conducted on the levee for FEMA certification. It has been determined during the course of this evaluation that a sizable investment will be required to repair settlement issues and ageing infrastructure. Currently, the limitations of the system cause community flooding during heavy rain events. The City continues to strive to obtain grants to delay an adjustment but should these efforts fail, an increase will be unavoidable.

The City continues to be on the forefront with levee certification efforts when compared to other communities around the state. By the end of the 2017/2018 fiscal year, the City will have all of the pre-engineering complete and will be searching for funding to make necessary improvements to the levee system in order to receive final accreditation from FEMA. This expense is estimated in the 3-4 million dollar range. The City did pass a new gas tax last May that will help contribute toward these improvements. Estimated gas tax revenues are estimate at around 60K per year.

In 2015, the City refinanced a \$12 million dollar DEQ wastewater loan extending the term to 30 years. Given the City's charter limitations imposed by Measure 10-119 limiting the ability of the City Council to adjust utility rates as necessary, the City will not be able to offer a reduction in wastewater rates despite a reduction in annual debt service. It was determined by Council that given the extended term of the new loan, savings should be held to offset future expenses, ensuring that the City has enough revenue to meet the debt obligations for the entirety of the loan.

The City is hopeful of an economic shift with many promising projects, programs, and incentives in the community. The sale of the International Paper Company and expansion of Fred Wahl Marine Construction both lend to the positive outlook of the community and the City of Reedsport. The Main Street Program, which promotes local businesses by offering façade improvement grants and providing enticing tourist and recreation activities, is going into its third year as of the end of the 15/16 FY.

The City will likely continue to waive system development fees as a way to incentivize development within the City.

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, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash & cash equivalents	\$ 1,988,680	\$ 4,988,918	\$ 6,977,598
Investments	504,067	504,067	1,008,134
Receivables			
Taxes	146,524	0	146,524
Accounts	60,541	276,926	337,467
Intergovernmental	21,904	1,224	23,128
Notes	20,862	0	20,862
Inventories	27,639	94,138	121,777
Total current assets	<u>2,770,217</u>	<u>5,865,273</u>	<u>8,635,490</u>
Capital assets			
Capital assets not being depreciated	822,581	543,124	1,365,705
Depreciable capital assets, net of acc. dep.	2,744,619	21,528,258	24,272,877
Total capital assets	<u>3,567,200</u>	<u>22,071,382</u>	<u>25,638,582</u>
Total assets	<u>6,337,417</u>	<u>27,936,655</u>	<u>34,274,072</u>
Deferred outflows of resources			
Pension related outflows	75,968	25,162	101,130
Total assets and deferred outflows	<u>6,413,385</u>	<u>27,961,817</u>	<u>34,375,202</u>
LIABILITIES			
Accounts payable	44,842	40,739	85,581
Payroll and related accruals	14,647	0	14,647
Accrued interest payable - payable from restricted	0	114,636	114,636
Unearned revenue	0	28,318	28,318
Deposits payable	0	77,592	77,592
Compensated absences	60,633	32,242	92,875
Notes payable - payable from restricted	0	85,817	85,817
Bonds payable - payable from restricted	0	336,602	336,602
Total current liabilities	<u>120,122</u>	<u>715,946</u>	<u>836,068</u>
Noncurrent liabilities			
Notes payable - net of current	0	2,082,319	2,082,319
Bonds payable - net of current	0	9,516,622	9,516,622
Compensated absences - net of current	43,014	22,871	65,885
Net pension liability	344,577	118,751	463,328
Total noncurrent liabilities	<u>387,591</u>	<u>11,740,563</u>	<u>12,128,154</u>
Total liabilities	<u>507,713</u>	<u>12,456,509</u>	<u>12,964,222</u>
Deferred inflows of resources			
Pension related inflows	117,599	35,640	153,239
Total liabilities and deferred inflows	<u>625,312</u>	<u>12,492,149</u>	<u>13,117,461</u>
NET POSITION			
Net invested in capital assets	3,567,200	10,053,242	13,620,442
Restricted - capital projects	294,575	212,257	506,832
Restricted - debt service	0	991,462	991,462
Unrestricted	1,926,298	4,212,707	6,139,005
Total net position	<u>\$ 5,788,073</u>	<u>\$ 15,469,668</u>	<u>\$ 21,257,741</u>

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

CITY OF REEDSPORT, OREGON

**BALANCE SHEET - GOVERNMENTAL FUNDS
as of June 30, 2016**

	General Fund	Street Fund	Urban Renewal Agency - Special Rev.	Urban Renewal Agency - Main Street	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 586,979	\$ 74,695	\$ 177,453	\$ 42,792	\$ 1,110,828	\$ 1,992,747
Investments	500,000	0	0	0	0	500,000
Receivables						
Taxes	136,808	0	9,716	0	0	146,524
Accounts	56,995	3,546	0	0	0	60,541
Intergovernmental	19,548	0	0	0	2,356	21,904
Notes	0	0	0	0	20,862	20,862
Due from other funds	0	0	0	0	9,749	9,749
Inventories	0	0	0	0	27,639	27,639
Total assets	<u>\$ 1,300,330</u>	<u>\$ 78,241</u>	<u>\$ 187,169</u>	<u>\$ 42,792</u>	<u>\$ 1,171,434</u>	<u>\$ 2,779,966</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 43,511	\$ 0	\$ 0	\$ 1,065	\$ 266	\$ 44,842
Payroll and related accruals	65,691	4,204	0	0	5,385	75,280
Due to other funds	9,749	0	0	0	0	9,749
Total liabilities	<u>118,951</u>	<u>4,204</u>	<u>0</u>	<u>1,065</u>	<u>5,651</u>	<u>129,871</u>
Deferred inflows of resources						
Property taxes	115,048	0	8,358	0	0	123,406
Total liabilities and deferred inflows	<u>233,999</u>	<u>4,204</u>	<u>8,358</u>	<u>1,065</u>	<u>5,651</u>	<u>253,277</u>
Fund Balances						
Restricted						
Streets	0	74,037	0	0	0	74,037
Capital outlay	0	0	178,811	41,727	0	220,538
Committed						
Capital outlay	0	0	0	0	877,839	877,839
Cultural/Recreation	0	0	0	0	130,545	130,545
Public safety	0	0	0	0	157,399	157,399
Unassigned						
General fund	1,066,331	0	0	0	0	1,066,331
Total fund balances	<u>1,066,331</u>	<u>74,037</u>	<u>178,811</u>	<u>41,727</u>	<u>1,165,783</u>	<u>2,526,689</u>
Total liabilities and fund balance	<u>\$ 1,300,330</u>	<u>\$ 78,241</u>	<u>\$ 187,169</u>	<u>\$ 42,792</u>	<u>\$ 1,171,434</u>	<u>\$ 2,779,966</u>

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

GOVERNMENTAL FUND BALANCES	\$ 2,526,689
Capital assets, net of accumulated depreciation	3,567,200
Compensated absences	(43,014)
Deferred property taxes	123,406
Deferred inflows of resources from pensions	(117,599)
Deferred outflows of resources from pensions	75,968
Net pension liability	<u>(344,577)</u>
NET POSITION	<u>\$ 5,788,073</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, 2016**

	General Fund	Street Fund	Urban Renewal Agency - Special Revenue	Urban Renewal Agency - Main Street	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 1,309,926	\$ 0	\$ 110,677	\$ 0	\$ 0	\$ 1,420,603
Franchise taxes	191,397	0	0	0	0	191,397
Fuel taxes	0	296,473	0	0	2,461	298,934
Alcohol taxes	59,610	0	0	0	0	59,610
Lodging taxes	183,124	0	0	0	30,267	213,391
Other taxes	36,392	0	0	0	0	36,392
Licenses and permits	60,723	0	0	0	0	60,723
Intergovernmental revenues	40,795	0	0	0	0	40,795
Charges for services	101,464	0	0	0	94,543	196,007
Fines and penalties	104,312	0	0	0	0	104,312
Investment earnings	7,856	467	1,369	243	6,290	16,225
Other revenue	35,348	(248)	269	0	21,355	56,724
Grants and contracts	30,467	0	0	41,585	90,762	162,814
Total revenues	<u>2,161,414</u>	<u>296,692</u>	<u>112,315</u>	<u>41,828</u>	<u>245,678</u>	<u>2,857,927</u>
EXPENDITURES						
Current						
General government	731,012	0	2,911	22,699	0	756,622
Public safety	1,385,043	0	0	0	5,016	1,390,059
Highways and streets	0	161,538	0	0	0	161,538
Culture and recreation	50,755	0	0	0	130,598	181,353
Capital outlay	0	423	0	30,658	228,894	259,975
Debt service	0	0	8,027	0	0	8,027
Total expenditures	<u>2,166,810</u>	<u>161,961</u>	<u>10,938</u>	<u>53,357</u>	<u>364,508</u>	<u>2,757,574</u>
Excess (def) of revenues over expenditures	(5,396)	134,731	101,377	(11,529)	(118,830)	100,353
OTHER FINANCING SOURCES (USES)						
Transfers in/out	<u>(12,293)</u>	<u>(139,650)</u>	<u>(275,000)</u>	<u>25,000</u>	<u>252,892</u>	<u>(149,051)</u>
Net change in fund balance	(17,689)	(4,919)	(173,623)	13,471	134,062	(48,698)
FUND BALANCES - Beg. of year	<u>1,084,020</u>	<u>78,956</u>	<u>352,434</u>	<u>28,256</u>	<u>1,031,721</u>	<u>2,575,387</u>
FUND BALANCES - End of year	<u>\$ 1,066,331</u>	<u>\$ 74,037</u>	<u>\$ 178,811</u>	<u>\$ 41,727</u>	<u>\$ 1,165,783</u>	<u>\$ 2,526,689</u>

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

EXCESS OF REVENUES OVER EXPENDITURES GOVERNMENTAL FUNDS	\$ (48,698)
Capitalized assets	162,950
Change in unearned revenue	(4,801)
Depreciation	(210,980)
Compensated absences	(391)
Net pension income (expense)	<u>(311,657)</u>
Changes in net position	<u>\$ (413,577)</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, 2016

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,602,397	\$ 2,932,705	\$ 334,926	\$ 118,889	\$ 4,988,917
Investments	252,034	252,033	0	0	504,067
Receivables					
Accounts	82,353	186,922	7,651	0	276,926
Intergovernmental	0	0	1,224	0	1,224
Inventories	61,236	32,902	0	0	94,138
Total current assets	<u>1,998,020</u>	<u>3,404,562</u>	<u>343,801</u>	<u>118,889</u>	<u>5,865,272</u>
Other Assets					
Capital assets not being depreciated	236,279	4,858	301,987	0	543,124
Depreciable capital assets	9,301,326	20,893,462	460,934	633,922	31,289,644
Accumulated depreciation	<u>(4,213,805)</u>	<u>(4,992,759)</u>	<u>(255,965)</u>	<u>(298,857)</u>	<u>(9,761,386)</u>
Total other assets	<u>5,323,800</u>	<u>15,905,561</u>	<u>506,956</u>	<u>335,065</u>	<u>22,071,382</u>
Total assets	<u>1,998,020</u>	<u>3,404,562</u>	<u>343,801</u>	<u>118,889</u>	<u>5,865,272</u>
Deferred Outflows of Resources					
Pension related outflows	<u>12,853</u>	<u>10,917</u>	<u>786</u>	<u>606</u>	<u>25,162</u>
Total assets and deferred outflows	<u>2,010,873</u>	<u>3,415,479</u>	<u>344,587</u>	<u>119,495</u>	<u>5,890,434</u>
LIABILITIES					
Current Liabilities					
Accounts payable	21,375	3,832	15,532	0	40,739
Accrued interest payable	3,545	110,882	209	0	114,636
Unearned revenue	28,318	0	0	0	28,318
Deposits payable	(497)	75,368	2,721	0	77,592
Compensated absences - current	14,707	16,214	657	664	32,242
Notes payable - current	17,885	62,030	5,902	0	85,817
Bonds payable - current	0	336,602	0	0	336,602
Total current liabilities	<u>85,333</u>	<u>604,928</u>	<u>25,021</u>	<u>664</u>	<u>715,946</u>
Noncurrent liabilities					
Notes payable	133,986	1,916,869	31,464	0	2,082,319
Bonds payable	0	9,516,622	0	0	9,516,622
Compensated absences	10,433	11,502	466	470	22,871
Net pension liability	<u>62,326</u>	<u>49,271</u>	<u>3,934</u>	<u>3,220</u>	<u>118,751</u>
Total noncurrent liabilities	<u>206,745</u>	<u>11,494,264</u>	<u>35,864</u>	<u>3,690</u>	<u>11,740,563</u>
Total liabilities	<u>292,078</u>	<u>12,099,192</u>	<u>60,885</u>	<u>4,354</u>	<u>12,456,509</u>
Deferred Inflows of Resources					
Pension related inflows	<u>17,010</u>	<u>17,076</u>	<u>952</u>	<u>602</u>	<u>35,640</u>
Total liabilities and deferred inflows	<u>309,088</u>	<u>12,116,268</u>	<u>61,837</u>	<u>4,956</u>	<u>12,492,149</u>
Net position					
Net invested in capital assets	5,171,929	4,073,438	469,590	338,285	10,053,242
Restricted - capital projects	71,995	134,171	6,091	0	212,257
Restricted - debt service	80,930	910,532	0	0	991,462
Unrestricted	<u>1,700,731</u>	<u>2,086,631</u>	<u>314,025</u>	<u>111,319</u>	<u>4,212,709</u>
Total net position	<u>\$ 7,025,585</u>	<u>\$ 7,204,773</u>	<u>\$ 789,706</u>	<u>\$ 449,604</u>	<u>\$ 15,469,668</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, 2016**

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Total
OPERATING REVENUES					
Charges for services	\$ 768,002	\$ 1,809,283	\$ 72,427	\$ 95,700	\$ 2,745,412
Miscellaneous	4,681	76,197	266	266	81,410
Total operating revenues	772,683	1,885,480	72,693	95,966	2,826,822
OPERATING EXPENSES					
Personnel services	357,591	359,965	27,944	30,527	776,027
Materials and services	253,578	340,125	12,665	8,907	615,275
Capital outlay	29,182	41,310	160,341	0	230,833
Depreciation	196,402	728,670	12,137	15,234	952,443
Total operating expenses	836,753	1,470,070	213,087	54,668	2,574,578
Operating income (loss)	(64,070)	415,410	(140,394)	41,298	252,244
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	13,305	22,165	1,894	694	38,058
Grants	12,601	0	144,808	0	157,409
Interest expense	(6,660)	(223,495)	(86)	0	(230,241)
Total nonoperating revenues (exp)	19,246	(201,330)	146,616	694	(34,774)
Income (loss) before transfers and capital contributions	(44,824)	214,080	6,222	41,992	217,470
TRANSFERS					
Transfers in	191,185	1,026,780	363,000	0	1,580,965
Transfers out	(237,335)	(1,117,030)	(24,850)	(52,700)	(1,431,915)
Total transfers	(46,150)	(90,250)	338,150	(52,700)	149,050
Change in net position	(90,974)	123,830	344,372	(10,708)	366,520
NET POSITION - Beginning of year					
As originally stated	7,067,456	7,080,943	445,334	460,312	15,054,045
Prior period adjustment	49,103	0	0	0	49,103
NET POSITION - Beginning of year - restated	7,116,559	7,080,943	445,334	460,312	15,103,148
NET POSITION - End of year	\$ 7,025,585	\$ 7,204,773	\$ 789,706	\$ 449,604	\$ 15,469,668

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, 2016

	Water Fund	Wastewater Utility Fund	Stormwater Utility Fund	Dunes NRA Lease Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers and users	\$ 785,528	\$ 1,916,053	\$ 57,808	\$ 95,966	\$ 2,855,355
Cash payments to suppliers	(312,634)	(388,481)	(157,041)	(10,104)	(868,260)
Cash payments to employees	(301,612)	(311,990)	(24,207)	(27,687)	(665,496)
Net cash provided (used) by operating activities	<u>171,282</u>	<u>1,215,582</u>	<u>(123,440)</u>	<u>58,175</u>	<u>1,321,599</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grant	12,601	0	144,808	0	157,409
Transfers from other funds	191,185	1,026,780	363,000	0	1,580,965
Transfers to other funds	(237,335)	(1,117,030)	(24,850)	(52,700)	(1,431,915)
Net cash provided (used) by noncapital financing act.	<u>(33,549)</u>	<u>(90,250)</u>	<u>482,958</u>	<u>(52,700)</u>	<u>306,459</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(127,682)	(136,070)	(235,151)	0	(498,903)
Principal paid on debt	(17,774)	(540,402)	(5,680)	0	(563,856)
Interest expense	(7,428)	(187,218)	(1,630)	0	(196,276)
Net cash provided (used) by capital and related financing activities	<u>(152,884)</u>	<u>(863,690)</u>	<u>(242,461)</u>	<u>0</u>	<u>(1,259,035)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	<u>11,272</u>	<u>20,132</u>	<u>1,688</u>	<u>694</u>	<u>33,786</u>
Net increase (decrease) in cash and cash equivalents	(3,879)	281,774	118,745	6,169	402,809
Cash & cash equivalents - Beginning of year (including restricted cash \$1,248,013)	<u>1,606,277</u>	<u>2,650,932</u>	<u>216,181</u>	<u>112,720</u>	<u>4,586,110</u>
Cash & cash equivalents - End of year (including restricted cash \$1,284,861)	<u>\$ 1,602,397</u>	<u>\$ 2,932,706</u>	<u>\$ 334,926</u>	<u>\$ 118,889</u>	<u>\$ 4,988,918</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ (64,070)	\$ 415,410	\$ (140,394)	\$ 41,298	\$ 252,243
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities					
Depreciation	196,402	728,670	12,137	15,234	952,443
(Increase) decrease in operating assets					
Accounts receivable	12,845	30,573	1,332	0	44,750
Net pension assets & deferrals	54,758	44,662	3,411	2,725	105,556
Inventories	(24,552)	(6,631)	0	0	(31,183)
Increase (decrease) in operating liabilities					
Accounts payable	5,647	(22,137)	15,236	(1,197)	(2,451)
Compensated absences	1,221	3,313	326	115	4,975
Deposit (right of way)	0	0	(16,217)	0	(16,217)
Deferred revenue & deposits payable	(10,969)	21,722	729	0	11,482
Net cash provided (used) by operating activities	<u>\$ 171,282</u>	<u>\$ 1,215,582</u>	<u>\$ (123,440)</u>	<u>\$ 58,175</u>	<u>\$ 1,321,597</u>

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

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2016

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.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 District.

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 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.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has one item that qualifies for reporting in this category, it's deferred amounts relating to pensions. 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 District 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 District also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments

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

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

Inventory

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

Restricted Assets

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

Capital Assets

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

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

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

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

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long Term Obligations

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

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

Compensated Absences

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

Interfund Transactions

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

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

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

Net Position

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

CITY OF REEDSPORT, OREGON
NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance

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

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

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

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

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

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

Use of Restricted Resources

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

Use of Estimates

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

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

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

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

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

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

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2016

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

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

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

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

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

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

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

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

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

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

Excess Expenditures Over Appropriations

The Reedsport URA - Special Revenue (component unit) overexpended by \$607 in Debt Service.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

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	\$6,700,871
- restricted	<u>1,284,861</u>
 Total	 <u>\$7,985,732</u>

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

	<u>Balance</u>	<u>Cash & Cash Equivalent</u>	<u>Time CD</u>
Cash on hand	\$ 1,300	\$ 1,300	\$ 0
Deposits with financial institutions	1,691,581	683,447	1,008,134
External investment pool	<u>6,292,851</u>	<u>6,292,851</u>	<u>0</u>
 Total cash and investments	 <u>\$7,985,732</u>	 <u>\$ 6,977,598</u>	 <u>\$ 1,008,134</u>

Restricted cash represents customer deposits of \$77,592, debt service of \$995,007 and System Development fees of \$212,257.

Deposits

At the end of the fiscal year, the City's total deposits with financial institutions have a bank value of \$1,855,790.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminating the requirement of certificates of participation and created a shared liability structure of qualified depositories. At year end, \$500,000 of the City's deposits were insured by the FDIC and the remaining balances were in qualified depository banks: Bank of America and Umpqua Bank.

Investments

At year end, the City has total funds of \$6,292,851 in the State of Oregon Local Government Investment Pool and \$1,008,134 is in a four year time certificate of deposit.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS for the Year Ended June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

A. DEPOSITS AND INVESTMENTS

Investments

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

Interest rate risk

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

Custodial risk

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

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

Concentration of credit risk

At June 30, the City had 77% of total deposits and investments in the Oregon State Treasury's LGIP.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

B. RECEIVABLES

Receivables at June 30 consist of the following:

	<u>Property Taxes</u>	<u>Accounts Receiv- able</u>	<u>Inter- governmental</u>	<u>Notes & Loans Receivable</u>	<u>Total</u>
Governmental					
General Fund	\$ 136,808	\$ 56,995	\$ 19,548	\$ 0	\$ 213,351
Street Fund	0	3,546	0	0	3,546
Urban Renewal Agency	9,716	0	0	0	9,716
Other Government Funds	<u>0</u>	<u>0</u>	<u>2,356</u>	<u>20,862</u>	<u>23,218</u>
 Total Governmental	 <u>146,524</u>	 <u>60,541</u>	 <u>21,904</u>	 <u>20,862</u>	 <u>249,831</u>
Business-Type					
Water Fund	0	82,353	0	0	82,353
Wastewater Fund	0	186,922	0	0	186,922
Stormwater Fund	<u>0</u>	<u>7,651</u>	<u>1,224</u>	<u>0</u>	<u>8,875</u>
 Total Business-Type	 <u>0</u>	 <u>276,926</u>	 <u>1,224</u>	 <u>0</u>	 <u>278,150</u>
 Total	 <u>\$ 146,524</u>	 <u>\$ 337,467</u>	 <u>\$ 23,128</u>	 <u>\$ 20,862</u>	 <u>\$ 527,981</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>Unavailable</u>	<u>Unearned</u>
Property Taxes		
General Fund	\$ 115,048	
Urban Renewal Agency	8,358	
 Customer Deposits		
Water Fund		\$ (497)
Wastewater Fund		75,368
Stormwater Fund		<u>2,721</u>
 Total	 <u>\$ 123,406</u>	 <u>\$ 77,592</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

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>Additions</u>	<u>Deletions</u>	<u>6/30</u> <u>Balance</u>
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 769,681	\$ 0	\$ 0	\$ 769,681
Construction in progress	<u>315,865</u>	<u>0</u>	<u>(262,965)</u>	<u>52,900</u>
Total capital assets not being depreciated	<u>1,085,546</u>	<u>0</u>	<u>(262,965)</u>	<u>822,581</u>
Capital assets, being depreciated				
Building	2,343,268	348,087	0	2,691,355
Machinery and equipment	3,102,334	77,828	0	3,180,162
Infrastructure	<u>1,549,737</u>	<u>0</u>	<u>0</u>	<u>1,549,737</u>
Total capital assets being depreciated	<u>6,995,339</u>	<u>425,915</u>	<u>0</u>	<u>7,421,254</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

	<u>7/01</u> <u>Balance</u>	<u>Additions</u> <u>& Transfers</u>	<u>Deletions</u> <u>& Transfers</u>	<u>6/30</u> <u>Balance</u>
Governmental Activities				
Less - accum. depreciation				
Building	(1,781,436)	(29,430)	0	(1,810,866)
Machinery and equipment	(1,911,778)	(135,894)	0	(2,047,672)
Infrastructure	<u>(772,440)</u>	<u>(45,656)</u>	<u>0</u>	<u>(818,096)</u>
Total accum. depreciation	<u>(4,465,654)</u>	<u>(210,980)</u>	<u>0</u>	<u>(4,676,634)</u>
Total capital assets, net of depreciation	<u>2,529,685</u>	<u>214,935</u>	<u>0</u>	<u>2,744,620</u>
Governmental activities capital assets, net	<u>\$ 3,615,231</u>	<u>\$ 214,935</u>	<u>\$ (262,965)</u>	<u>\$ 3,567,200</u>
Business-type Activities				
Assets not being depreciated				
Land	\$ 112,836	\$ 0	\$ 0	\$ 112,836
Construction in progress	<u>39,416</u>	<u>399,522</u>	<u>(8,650)</u>	<u>430,288</u>
Total assets not being depreciated	<u>152,252</u>	<u>399,522</u>	<u>(8,650)</u>	<u>543,124</u>
Assets being depreciated				
Buildings and improvements	707,468	0	0	707,468
Machinery and equipment	324,551	38,216	0	362,767
Systems	<u>30,098,655</u>	<u>120,754</u>	<u>0</u>	<u>30,219,409</u>
Total capital assets, being depreciated	<u>31,130,674</u>	<u>158,970</u>	<u>0</u>	<u>31,289,644</u>
Less - accum. depreciation				
Building and improvements	(344,580)	(15,060)	0	(359,640)
Machinery and equipment	(269,502)	(14,338)	0	(283,840)
Systems	<u>(8,194,860)</u>	<u>(923,046)</u>	<u>0</u>	<u>(9,117,906)</u>
Total accum. depreciation	<u>(8,808,942)</u>	<u>(952,444)</u>	<u>0</u>	<u>(9,761,386)</u>
Total capital assets, net of depreciation	<u>22,321,732</u>	<u>(793,474)</u>	<u>0</u>	<u>21,528,258</u>
Business-type activities Capital assets, net	<u>\$ 22,473,984</u>	<u>\$ (393,952)</u>	<u>\$ (8,650)</u>	<u>\$ 22,071,382</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

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	\$ 15,480
Public safety	58,829
Highways and streets	38,221
Culture and recreation	<u>98,450</u>
Total dep. exp. - gov. act.	<u>\$ 210,980</u>
 Business-type activities	
Water	\$ 196,402
Wastewater	728,670
Stormwater	12,137
Dunes NRA lease	<u>15,234</u>
Total dep. exp. - bus. type act.	<u>\$ 952,443</u>

D. INTERFUND TRANSFERS

	<u>Transfers In</u>						
	<u>General Fund</u>	<u>Water Fund</u>	<u>Waste-water Funds</u>	<u>Storm-water Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>URA Fund</u>	<u>Total Out</u>
Transfer Out							
General Fund	\$ 0	\$ 0	\$ 0	\$ 70,000	\$ 89,750	\$ 0	\$ 159,750
State Gas Tax Fund	12,500	0	0	10,000	117,150	0	139,650
Nonmajor Govn't Funds	2,008	0	0	0	0	0	2,008
Water Fund	46,150	191,185	0	0	0	0	237,335
Wastewater Fund	80,250	0	1,026,780	10,000	0	0	1,117,030
Stormwater Fund	1,850	0	0	23,000	0	0	24,850
Dune NRA Lease Fund	4,700	0	0	0	48,000	0	52,700
URA	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>0</u>	<u>25,000</u>	<u>275,000</u>
 Total transfers in	<u>\$ 147,458</u>	<u>\$191,185</u>	<u>\$1,026,780</u>	<u>\$363,000</u>	<u>\$ 254,900</u>	<u>\$ 25,000</u>	<u>\$2,008,323</u>

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

Due To/From Other Funds

The General Fund owes the Riverfront Fund \$9,749 as of June 30, for unremitted tourism taxes.

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

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

	<u>Original Amount</u>	<u>7/01 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30 Balance</u>	<u>Due Within One Year</u>
Governmental Type						
Compensated absences		\$ 102,702	\$ 944	\$ 0	\$ 103,646	\$ 60,633
Business Type						
Bonds payable						
DEQ Bond	\$10,334,358	<u>10,334,358</u>	<u>0</u>	<u>481,135</u>	<u>9,853,223</u>	<u>336,602</u>
Loans payable						
OECD Water SPWF	304,638	169,645	0	17,774	151,871	17,885
OECD SPWF	2,250,000	<u>2,038,168</u>	<u>0</u>	<u>59,268</u>	<u>1,978,900</u>	<u>62,030</u>
Total loans payable		<u>2,207,813</u>	<u>0</u>	<u>77,042</u>	<u>2,130,771</u>	<u>79,915</u>
Note payable						
Hatcher Land Purchase	65,000	<u>43,046</u>	<u>0</u>	<u>5,680</u>	<u>37,366</u>	<u>5,902</u>
Compensated absences		<u>50,139</u>	<u>4,975</u>	<u>0</u>	<u>55,114</u>	<u>32,242</u>
Total business type		<u>12,635,356</u>	<u>4,975</u>	<u>563,857</u>	<u>12,076,474</u>	<u>455,487</u>
Total long-term liabilities		<u>\$12,738,058</u>	<u>\$ 5,919</u>	<u>\$ 563,857</u>	<u>\$12,180,120</u>	<u>\$ 517,675</u>

Total interest expense was \$230,241 with none subject to capitalization.

Compensated Absences

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

Bonds Payable - Business Type

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

In May 2015, the City issued \$10,334,358 of thirty year bonds to refinance the DEQ revolving loan for the wastewater collection system and treatment plan improvements in 2004. The new bonds call for semi annual payments of \$236,687, including interest at 1.4%. Also, payable annually are fees of 5% on the outstanding bond amount determined prior to the posting of the payment due on that date. The balance on the bonds at June 30 was \$9,853,223 and it matures in 2041.

CITY OF REEDSPORT, OREGON

**NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. LONG TERM LIABILITIES

Bonds Payable - Business Type

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

Loans Payable - Business Type

On December 1, 2003, the City entered into a \$304,638 twenty year loan agreement with the State of Oregon Economic Development Department to assist in the construction of new water lines. The note bears an interest rate of 4.17%, with annual payments due on December 1, including interest, maturing 2024. The balance due on the loan at June 30 was \$151,871.

In August 2006, the City obtained a revolving Special Public Works Fund loan through the Oregon Economic and Community Development Department (OECDD) for \$2,250,000 bearing an interest rate of 4.66%. The balance due on the loan at June 30 is \$1,978,900, 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 \$37,366, 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
2017	\$ 336,602	\$ 185,200	\$ 85,817	\$ 148,749	\$ 422,419	\$ 333,949
2018	341,332	178,775	89,068	143,189	430,400	321,964
2019	346,127	172,261	92,469	137,439	438,596	309,700
2020	350,990	165,655	96,030	131,489	447,020	297,144
2021	355,921	158,957	99,759	125,334	455,680	284,291
2022-26	1,856,030	690,971	494,035	529,842	2,350,065	1,220,813
2027-31	1,990,120	508,824	536,838	366,471	2,526,958	875,295
2032-36	2,133,901	313,514	674,121	177,644	2,808,022	491,158
2037-41	2,142,200	104,096	0	25,294	2,142,200	129,390
Total	<u>\$ 9,853,223</u>	<u>\$2,478,253</u>	<u>\$ 2,168,137</u>	<u>\$1,785,451</u>	<u>\$12,021,360</u>	<u>\$ 4,263,704</u>

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

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

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

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options including survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 and 1.67 percent for police/fire members and 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 contribution 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 (ages 45 and 55 for police/fire members and general service members respectively). Participants are eligible for retirement after reaching ages 50 and 55 for police/fire members and general service members respectively. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 25 years of service, Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

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

CITY OF REEDSPORT, OREGON
NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

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 ages 55 and 58 for fire members and general service members respectively 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 2016 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.

Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. To be classified as a fire member the individual must be continuously employed as a fire member for at least five years immediately preceding retirement.

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 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits over \$60,000.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

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, 2016 or for any other periods reflected in these Financial Statements, the Notes to the Financial Statements, or the Supplementary Information section. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, expressed as a percentage of payroll, first became effective July 1, 2015. City contributions for the year ending June 30, 2016 were \$34,392, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 5.80 percent for Tier One/Tier Two General Service and Fire Members, 0.45 percent of OPSRP General Service Members, 3.42 percent for OPSRP Fire Members, and 6 percent for OPSRP Individual Account Members.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Net Pension Liability

At June 30, 2016, the City reported a net pension liability of \$463,328 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2015, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. 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 0.00806986 and 0.00563799 for the fiscal years ending June 30, 2015 and 2014 respectively. For the year ended June 30, 2016, the City recognized pension expense (income) of \$417,212. At June 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,985	\$ 0
Net difference between projected and actual earnings on investments	0	97,124
Changes in proportionate share	41,753	0
Contributions made subsequent to measurement date	34,392	0
Differences between employer contributions and employer's proportionate share of system contributions	<u>0</u>	<u>56,115</u>
Total	<u>\$ 101,130</u>	<u>\$ 153,239</u>

Deferred outflows of resources of \$34,392 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, 2017. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

<u>Year Ended June 30</u>	<u>Deferred Outflow/(Inflow) of resources (prior to post- measurement date contributions)</u>
2017	\$ (44,512)
2018	(44,512)
2019	(44,512)
2020	45,014
2021	2,020
Thereafter	<u>0</u>
Total	<u>\$ (86,502)</u>

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions: Inflation Rate	2.75%
Long-Term Expected Rate of Return	7.75%
Discount Rate	7.75%
Projected Salary Increases	3.75% overall payroll growth
Cost of Living Adjustments (COLA)	7.75%
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2014 experience study, which reviewed experience for the four-year period ending December 31, 2014.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 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	16.0	24.0	20.0
Real estate	9.5	15.5	12.5
Alternative equity	0	10.0	10.0
Opportunity portfolio	0	3.0	0
Total			100.0%

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

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	7.20%	4.5%
Short-Term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	<u>1.25%</u>	6.07%
Total	<u><u>100.00%</u></u>	
Assumed Inflation - Mean		2.75%

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

Discount Rate

The discount rate used to measure the total pension liability was 7.75 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 7.75 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 (6.75 percent) and one percentage point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75)%</u>	<u>Current Disc. Rate (7.75)%</u>	<u>1% Increase (8.75)%</u>
Net Pension Liability (Asset)	\$ 1,118,225	\$ 463,328	\$ (88,578)

Changes in Plan Provisions from Prior Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

G. OPSRP IAP (INDIVIDUAL ACCOUNT PROGRAM) DESCRIPTION

Record Keeping

PERS contracts with VOYA Financial to maintain IAP participant records.

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, 2016, 2015, and 2014 were paid and equaled the required contributions for each year.

CITY OF REEDSPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
for the Year Ended June 30, 2016

NOTE 5 - PRIOR PERIOD ADJUSTMENTS

During the fiscal year the City adopted a new method of inventory valuation to more accurately reflect the account. It was determined during this revaluation that portions of inventory purchased in prior years were erroneously valued or not included in the inventory valuation count. This was considered a correction of an error and resulted in a prior period adjustment of \$49,103 in the Water Utility Fund's inventory value for the year ended June 30, 2015:

	<u>As originally Reported</u>	<u>As restated</u>	<u>Effect of Change</u>
Government-wide			
Statement of net position			
Inventory	\$ 36,684	\$ 85,787	\$ 49,103
Net position	21,255,696	21,304,799	49,103

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 February 3, 2017, 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 as of June 30, 2016**

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.00807%	0.00564%
City's proportionate share of the net pension liability (asset)	463,328	(127,797)
City's covered employee payroll	1,333,845	1,275,078
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	34.7%	(10.0)%
Plan's net fiduciary position as a percentage of the total pension liability	91.9%	103.6%

CITY OF REEDSPORT, OREGON

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
as of June 30, 2016**

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 34,392	\$ 35,380
Contributions in relation to the contractually required contribution	<u>34,392</u>	<u>35,997</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ (617)</u>
City's covered-employee payroll	\$ 1,380,965	\$ 1,333,845
Contributions as a percentage of covered-employee payroll	2.49%	2.70%

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, 2016

Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipient.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes in Assumptions

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

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 1,255,000	\$ 1,255,000	\$ 1,309,926	\$ 54,926
Franchise taxes	163,000	163,000	191,397	28,397
Alcohol taxes	55,000	55,000	59,610	4,610
Lodging taxes	160,000	200,000	183,124	(16,876)
Other taxes	34,540	34,540	36,392	1,852
Licenses and permits	61,520	61,520	60,723	(797)
Intergovernmental revenues	40,000	40,000	40,795	795
Charges for services	93,470	93,470	101,464	7,994
Fines and penalties	120,000	120,000	104,312	(15,688)
Investment earnings	5,700	5,700	7,856	2,156
Other revenue	32,400	35,750	35,348	(402)
Grants and contracts	88,400	88,400	30,467	(57,933)
Total revenues	<u>2,109,030</u>	<u>2,152,380</u>	<u>2,161,414</u>	<u>9,035</u>
EXPENDITURES				
City council	10,300	10,300	4,010	6,290
City manager	154,700	154,700	139,432	15,268
Finance	124,730	134,730	123,209	11,521
Legal services	35,000	35,000	7,865	27,135
Municipal court	123,065	123,065	88,818	34,247
Community development	20,195	25,195	17,317	7,878
City recorder	30,930	30,930	28,278	2,652
Community building	24,025	24,025	21,068	2,957
Nondepartmental	318,650	358,650	301,627	57,023
Police	1,259,490	1,260,490	1,096,095	164,395
Special police operations	65,000	65,000	31,944	33,056
Municipal jail	7,750	7,750	6,569	1,181
Fire	116,350	116,350	86,284	30,066
Building inspection	40,335	40,335	35,991	4,344
Animal control	16,050	22,550	3,189	19,361
Public service	137,805	139,155	124,971	14,184
Library	11,340	11,340	8,721	2,619
Senior center	16,670	16,670	15,298	1,372
Dial-A-Ride	39,595	39,595	26,736	12,859
Contingency	75,000	60,000	0	60,000
Total expenditures	<u>2,626,980</u>	<u>2,675,830</u>	<u>2,167,422</u>	<u>508,408</u>
Excess (def) of revenues over expenditures	<u>(517,950)</u>	<u>(523,450)</u>	<u>(6,008)</u>	<u>517,442</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	139,700	139,700	147,457	7,757
Transfers out	<u>(159,750)</u>	<u>(159,750)</u>	<u>(159,750)</u>	<u>(319,500)</u>
Total other financing sources (uses)	<u>(20,050)</u>	<u>(20,050)</u>	<u>(12,293)</u>	<u>311,743</u>
Excess (def) of revenues over expenditures and transfers	(538,000)	(543,500)	(18,301)	525,199
Unappropriated ending fund balance	(310,000)	(310,000)	0	310,000
GAAP ADJUSTMENT				
Compensated absences	0	0	612	612
FUND BALANCE - Beginning of year	<u>848,000</u>	<u>853,500</u>	<u>1,084,020</u>	<u>230,520</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,066,331</u>	<u>\$ 1,066,331</u>

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

STREET FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Fuel taxes	\$ 274,500	\$ 296,473	\$ 21,973
Investment earnings	300	467	167
Other revenue	<u>0</u>	<u>(248)</u>	<u>(248)</u>
 Total revenues	 <u>274,800</u>	 <u>296,692</u>	 <u>21,893</u>
EXPENDITURES			
Personnel services	55,560	49,913	5,647
Materials and services	119,590	111,127	8,463
Capital outlay	10,000	423	9,577
Contingency	<u>15,000</u>	<u>0</u>	<u>15,000</u>
 Total expenditures	 <u>200,150</u>	 <u>161,463</u>	 <u>38,687</u>
 Excess (def) of revenues over expenditures	 74,650	 135,229	 60,579
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(139,650)</u>	<u>(139,650)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (65,000)	 (4,421)	 60,579
GAAP ADJUSTMENT			
Compensated absences	0	(498)	(498)
 FUND BALANCE - Beginning of year	 <u>65,000</u>	 <u>78,956</u>	 <u>13,956</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 74,037</u>	 <u>\$ 74,037</u>

**CITY OF REEDSPORT
OREGON**

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, 2016**

REEDSPORT URBAN RENEWAL AGENCY - SPECIAL REVENUE

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 83,000	\$ 83,000	\$ 110,677	\$ 27,677
Investment earnings	810	810	1,369	559
Other revenue	<u>0</u>	<u>0</u>	<u>269</u>	<u>269</u>
 Total revenue	 <u>83,810</u>	 <u>83,810</u>	 <u>112,315</u>	 <u>28,505</u>
EXPENDITURES				
Materials and services	3,520	3,520	2,911	609
Capital outlay	367,870	107,870	0	107,870
Debt service	<u>7,420</u>	<u>7,420</u>	<u>8,027</u>	<u>(607)</u>
 Total expenditures	 <u>378,810</u>	 <u>118,810</u>	 <u>10,938</u>	 <u>107,872</u>
 Excess (def) of revenues over expenditures	 (295,000)	 (35,000)	 101,377	 136,377
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(275,000)</u>	<u>(275,000)</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (310,000)	 (310,000)	 (173,623)	 136,377
 FUND BALANCE - Beginning of year	 <u>310,000</u>	 <u>310,000</u>	 <u>352,434</u>	 <u>42,434</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 178,811</u>	 <u>\$ 178,811</u>

CITY OF REEDSPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

REEDSPORT URBAN RENEWAL AGENCY - MAIN STREET

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Investment earnings	\$ 19,490	\$ 19,490	\$ 243	\$ (19,247)
Grants	<u>10,010</u>	<u>18,510</u>	<u>41,585</u>	<u>23,075</u>
Total revenues	<u>29,500</u>	<u>38,000</u>	<u>41,828</u>	<u>3,829</u>
EXPENDITURES				
Materials and services	25,000	27,000	22,699	4,301
Capital outlay	<u>38,000</u>	<u>54,500</u>	<u>30,658</u>	<u>23,842</u>
Total expenditures	<u>63,000</u>	<u>81,500</u>	<u>53,357</u>	<u>28,143</u>
Excess (def) of revenues over expenditures	(33,500)	(43,500)	(11,529)	31,971
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>15,000</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(18,500)	(18,500)	13,471	31,971
FUND BALANCE - Beginning of year	<u>18,500</u>	<u>18,500</u>	<u>28,256</u>	<u>9,756</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,727</u>	<u>\$ 41,727</u>

**CITY OF REEDSPORT
OREGON**

Nonmajor Governmental Funds

CITY OF REEDSPORT, OREGON

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
as of June 30, 2016**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 253,851	\$ 856,977	\$ 1,110,828
Receivables			
Intergovernmental	2,356	0	2,356
Due from other funds	9,749	0	9,749
Notes	0	20,862	20,862
Inventories	<u>27,639</u>	<u>0</u>	<u>27,639</u>
 Total assets	 <u>\$ 293,595</u>	 <u>\$ 877,839</u>	 <u>\$ 1,171,434</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 266	\$ 0	\$ 266
Payroll and related liabilities	<u>5,385</u>	<u>0</u>	<u>5,385</u>
 Total liabilities	 <u>5,651</u>	 <u>0</u>	 <u>5,651</u>
 Fund Balance			
Committed - Capital projects	0	877,839	877,839
Committed - other	<u>287,944</u>	<u>0</u>	<u>287,944</u>
 Total fund balances	 <u>287,944</u>	 <u>877,839</u>	 <u>1,165,783</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 293,595</u>	 <u>\$ 877,839</u>	 <u>\$ 1,171,434</u>

CITY OF REEDSPORT, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS for the Year Ended June 30, 2016**

	Special Revenue Funds	Capital Projects Funds	Total
REVENUES			
Taxes	\$ 32,728	\$ 0	\$ 32,728
Charges for services	94,543	0	94,543
Investment earnings	1,562	4,728	6,290
Donations	0	90,762	90,762
Miscellaneous	15,846	5,508	21,354
	<u>144,679</u>	<u>100,998</u>	<u>245,677</u>
EXPENDITURES			
Culture and recreation	130,598	0	130,598
Public safety	5,016	0	5,016
Capital outlay	0	228,894	228,894
	<u>135,614</u>	<u>228,894</u>	<u>364,508</u>
Excess (def) of revenues over expenditures	<u>9,065</u>	<u>(127,896)</u>	<u>(118,831)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	27,500	227,400	254,900
Transfers out	(2,008)	0	(2,008)
	<u>25,492</u>	<u>227,400</u>	<u>252,892</u>
Excess (def) of revenues over expenditures and transfers	34,557	99,504	134,061
FUND BALANCES - Beg. of year	<u>253,387</u>	<u>778,335</u>	<u>1,031,722</u>
FUND BALANCES - End of year	<u>\$ 287,944</u>	<u>\$ 877,839</u>	<u>\$ 1,165,783</u>

**CITY OF REEDSPORT
OREGON**

**GOVERNMENTAL
Nonmajor - Special Revenue Funds**

CITY OF REEDSPORT, OREGON

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
as of June 30, 2016

	Bicycle/Footpath Fund	Fire Equipment Fund	Riverfront Fund	Total
ASSETS				
Cash and cash equivalents	\$ 38,918	\$ 155,043	\$ 59,890	\$ 253,851
Receivables				
Intergovernmental	0	2,356	0	2,356
Due from other funds	0	0	9,749	9,749
Inventories	0	0	27,639	27,639
	<u>0</u>	<u>0</u>	<u>27,639</u>	<u>27,639</u>
Total assets	<u>\$ 38,918</u>	<u>\$ 157,399</u>	<u>\$ 97,278</u>	<u>\$ 293,595</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 0	\$ 0	\$ 266	\$ 266
Payroll and related liabilities	0	0	5,385	5,385
	<u>0</u>	<u>0</u>	<u>5,385</u>	<u>5,385</u>
Total liabilities	0	0	5,651	5,651
Fund Balance				
Committed	38,918	157,399	91,627	287,944
	<u>38,918</u>	<u>157,399</u>	<u>91,627</u>	<u>287,944</u>
Total liabilities and fund balance	<u>\$ 38,918</u>	<u>\$ 157,399</u>	<u>\$ 97,278</u>	<u>\$ 293,595</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, 2016**

	<u>Bicycle/Footpath Fund</u>	<u>Fire Equipment Fund</u>	<u>Riverfront Fund</u>	<u>Total</u>
REVENUES				
Taxes	\$ 2,461	\$ 0	\$ 30,267	\$ 32,728
Charges for services	0	13,149	81,394	94,543
Investment earnings	228	981	353	1,562
Miscellaneous	<u>0</u>	<u>0</u>	<u>15,846</u>	<u>15,846</u>
Total revenues	<u>2,689</u>	<u>14,130</u>	<u>127,860</u>	<u>144,679</u>
EXPENDITURES				
Culture and recreation	10	0	130,588	130,598
Public Safety	<u>0</u>	<u>5,016</u>	<u>0</u>	<u>5,016</u>
Total expenditures	<u>10</u>	<u>5,016</u>	<u>130,588</u>	<u>135,614</u>
Excess (def) of revenues over expenditures	<u>2,679</u>	<u>9,114</u>	<u>(2,728)</u>	<u>9,065</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	0	15,000	12,500	27,500
Transfers out	<u>0</u>	<u>(2,008)</u>	<u>0</u>	<u>(2,008)</u>
Total other financing sources (uses)	<u>0</u>	<u>12,992</u>	<u>12,500</u>	<u>25,492</u>
Excess (def) of revenues over expenditures and transfers	2,679	22,106	9,772	34,557
FUND BALANCES - Beginning of year	<u>36,239</u>	<u>135,293</u>	<u>81,855</u>	<u>253,387</u>
FUND BALANCES - End of year	<u>\$ 38,918</u>	<u>\$ 157,399</u>	<u>\$ 91,627</u>	<u>\$ 287,944</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

BICYCLE/FOOTPATH FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Fuel taxes	\$ 2,250	\$ 2,461	\$ 211
Investment earnings	<u>130</u>	<u>228</u>	<u>98</u>
Total revenues	2,380	2,689	309
EXPENDITURES			
Capital outlay	<u>38,580</u>	<u>10</u>	<u>38,570</u>
Excess (def) of revenues over expenditures	(36,200)	2,679	38,879
FUND BALANCE - Beginning of year	<u>36,200</u>	<u>36,239</u>	<u>39</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 38,918</u>	<u>\$ 38,918</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

FIRE EQUIPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 7,000	\$ 13,149	\$ 6,149
Investment earnings	<u>250</u>	<u>981</u>	<u>731</u>
Total revenues	<u>7,250</u>	<u>14,130</u>	<u>6,881</u>
EXPENDITURES			
Materials and services	5,000	16	4,984
Capital outlay	<u>146,250</u>	<u>5,000</u>	<u>141,250</u>
Total expenditures	<u>151,250</u>	<u>5,016</u>	<u>146,234</u>
Excess (def) of revenues over expenditures	<u>(144,000)</u>	<u>9,114</u>	<u>153,114</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	15,000	0
Transfers out	<u>(3,000)</u>	<u>(2,008)</u>	<u>992</u>
Total other financing sources (uses)	<u>12,000</u>	<u>12,992</u>	<u>992</u>
Excess (def) of revenues over expenditures and transfers	(132,000)	22,106	154,106
FUND BALANCE - Beginning of year	<u>132,000</u>	<u>135,293</u>	<u>3,293</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 157,399</u>	<u>\$ 157,399</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

RIVERFRONT FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Lodging taxes	\$ 20,000	\$ 30,267	\$ 10,267
Charges for services	70,450	81,394	10,944
Investment earnings	175	353	178
Other revenue	<u>15,400</u>	<u>15,846</u>	<u>446</u>
 Total revenues	 <u>106,025</u>	 <u>127,860</u>	 <u>21,836</u>
EXPENDITURES			
Personnel services	75,755	73,587	2,168
Materials and services	<u>67,870</u>	<u>56,337</u>	<u>11,533</u>
 Total expenditures	 <u>143,625</u>	 <u>129,923</u>	 <u>13,702</u>
 Excess (def) of revenues over expenditures	 (37,600)	 (2,063)	 35,537
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>12,500</u>	<u>12,500</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (25,100)	 10,437	 35,537
GAAP ADJUSTMENT			
Compensated absences	0	(665)	(665)
 FUND BALANCE - Beginning of year	 <u>25,100</u>	 <u>81,855</u>	 <u>56,755</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 91,627</u>	 <u>\$ 91,627</u>

**CITY OF REEDSPORT
OREGON**

**GOVERNMENTAL
Nonmajor - Capital Projects Funds**

CITY OF REEDSPORT, OREGON

**COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
as of June 30, 2016**

	<u>General Improvement Fund</u>	<u>Street Equipment Fund</u>	<u>Library Renovation Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 341,463	\$ 514,912	\$ 602	\$ 856,977
Notes receivable	<u>20,862</u>	<u>0</u>	<u>0</u>	<u>20,862</u>
 Total assets	 <u>\$ 362,325</u>	 <u>\$ 514,912</u>	 <u>\$ 602</u>	 <u>\$ 877,839</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities	\$ 0	\$ 0	\$ 0	\$ 0
 Fund Balance				
Committed	<u>362,325</u>	<u>514,912</u>	<u>602</u>	<u>877,839</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 362,325</u>	 <u>\$ 514,912</u>	 <u>\$ 602</u>	 <u>\$ 877,839</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, 2016**

	General Capital Improvement Fund	Street Equipment Fund	Library Renovation Fund	Total
REVENUES				
Interest earnings	\$ 1,796	\$ 2,932	\$ 0	\$ 4,728
Donations	90,762	0	0	90,762
Miscellaneous	<u>5,508</u>	<u>0</u>	<u>0</u>	<u>5,508</u>
Total revenues	<u>98,066</u>	<u>2,932</u>	<u>0</u>	<u>100,998</u>
EXPENDITURES				
Materials and services	0	0	1,049	1,049
Capital outlay	<u>162,719</u>	<u>63,916</u>	<u>1,210</u>	<u>227,845</u>
Total expenditures	<u>162,719</u>	<u>63,916</u>	<u>2,259</u>	<u>228,894</u>
Excess (def) of revenues over expenditures	(64,653)	(60,984)	(2,259)	(127,896)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>110,250</u>	<u>117,150</u>	<u>0</u>	<u>227,400</u>
Excess (def) of revenues over expenditures and transfers	45,597	56,166	(2,259)	99,504
FUND BALANCES - Beginning of year	<u>316,728</u>	<u>458,746</u>	<u>2,861</u>	<u>778,335</u>
FUND BALANCES - End of year	<u>\$ 362,325</u>	<u>\$ 514,912</u>	<u>\$ 602</u>	<u>\$ 877,839</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

GENERAL CAPITAL IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Investment earnings	\$ 500	\$ 500	\$ 1,796	\$ 1,296
Other revenue	0	175,000	96,270	(78,730)
Grants and contracts	<u>147,500</u>	<u>147,500</u>	<u>0</u>	<u>(147,500)</u>
 Total revenues	 148,000	 323,000	 98,066	 (224,933)
EXPENDITURES				
Capital outlay	<u>324,250</u>	<u>499,250</u>	<u>162,719</u>	<u>336,531</u>
 Excess (def) of revenues over expenditures	 (176,250)	 (176,250)	 (64,653)	 111,597
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>120,250</u>	<u>120,250</u>	<u>110,250</u>	<u>10,000</u>
 Excess (def) of revenues over expenditures and transfers	 (56,000)	 (56,000)	 45,597	 101,597
 FUND BALANCE - Beg. of year	 <u>56,000</u>	 <u>56,000</u>	 <u>316,728</u>	 <u>260,728</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 362,325</u>	 <u>\$ 362,325</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

STREET CAPITAL EQUIPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	<u>\$ 1,000</u>	<u>\$ 2,932</u>	<u>\$ 1,932</u>
Total revenues	1,000	2,932	1,932
EXPENDITURES			
Capital outlay	<u>541,150</u>	<u>63,916</u>	<u>477,234</u>
Excess (def) of revenues over expenditures	(540,150)	(60,984)	479,166
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>117,150</u>	<u>117,150</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(423,000)	56,166	479,166
FUND BALANCE - Beginning of year	<u>423,000</u>	<u>458,746</u>	<u>35,746</u>
FUND BALANCE - End of year	<u><u>\$ 0</u></u>	<u><u>\$ 514,912</u></u>	<u><u>\$ 514,912</u></u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

LIBRARY RENOVATION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Interest earnings	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 EXPENDITURES				
Materials and services	3,500	2,290	1,049	1,241
Capital outlay	<u>0</u>	<u>1,210</u>	<u>1,210</u>	<u>0</u>
 Total expenditures	<u>3,500</u>	<u>3,500</u>	<u>2,259</u>	<u>1,241</u>
 Excess (def) of revenues over expenditures	(3,500)	(3,500)	(2,259)	1,241
 FUND BALANCE - Beginning of year	<u>3,500</u>	<u>3,500</u>	<u>2,861</u>	<u>(639)</u>
 FUND BALANCE - End of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 602</u></u>	<u><u>\$ 602</u></u>

**CITY OF REEDSPORT
OREGON**

Proprietary Funds - Major Funds

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WATER UTILITY FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 783,000	\$ 768,002	\$ (14,998)
Investment earnings	3,800	2,627	(1,173)
Other revenue	<u>6,200</u>	<u>4,681</u>	<u>(1,519)</u>
Total revenues	<u>793,000</u>	<u>775,310</u>	<u>(17,689)</u>
EXPENDITURES			
Personnel services	316,515	302,833	13,682
Materials and services	299,150	253,578	45,572
Capital outlay	10,000	0	10,000
Contingency	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total expenditures	<u>640,665</u>	<u>556,411</u>	<u>84,254</u>
Excess (def) of revenues over expenditures	152,335	218,899	66,564
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(237,335)</u>	<u>(237,335)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	<u>(85,000)</u>	<u>(18,436)</u>	<u>66,564</u>
FUND BALANCE - Beg. of year (Budget basis)	85,000	120,949	35,949
Prior period adjustment	<u>0</u>	<u>49,103</u>	<u>(49,103)</u>
FUND BALANCE - Beg. of year (Revised)	<u>85,000</u>	<u>170,052</u>	<u>85,052</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	151,616	<u>\$ 151,616</u>
GAAP Adjustments - Reconciled to June 2015		5,362,043	
Capital asset activity			
Additions		176,785	
Depreciation		(196,402)	
Pension activity, net		<u>(54,758)</u>	
FUND BALANCE - End of Year (GAAP basis)		<u>\$ 5,439,284</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WATER SYSTEM DEVELOPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	<u>\$ 270</u>	<u>\$ 433</u>	<u>\$ 163</u>
Total revenues	270	433	163
EXPENDITURES			
Capital outlay	<u>71,770</u>	<u>0</u>	<u>71,770</u>
Excess (def) of revenues over expenditures	(71,500)	433	71,933
FUND BALANCE - Beg. of year (Budget/GAAP basis)	<u>71,500</u>	<u>71,562</u>	<u>62</u>
FUND BALANCE - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 71,995</u>	<u>\$ 71,995</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WATER CAPITAL IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Interest earnings	\$ 5,000	\$ 5,000	\$ 9,752	\$ 4,752
EXPENDITURES				
Capital outlay	<u>1,790,585</u>	<u>1,790,585</u>	<u>205,967</u>	<u>1,584,618</u>
Excess (def) of revenues over expenditures	(1,785,585)	(1,785,585)	(196,215)	1,589,370
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>178,585</u>	<u>178,585</u>	<u>178,585</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(1,607,000)	(1,607,000)	(17,630)	1,589,370
FUND BALANCE - Beg. of year (Budget/GAAP basis)	<u>1,607,000</u>	<u>1,607,000</u>	<u>1,602,877</u>	<u>(4,123)</u>
FUND BALANCE - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,585,247</u>	<u>\$ 1,585,247</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WATER SPWF DEBT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ 12,600	\$ 12,601	\$ 1
Interest earnings	<u>300</u>	<u>493</u>	<u>193</u>
Total revenues	12,900	13,094	194
EXPENDITURES			
Debt service	<u>25,205</u>	<u>25,204</u>	<u>1</u>
Excess (def) of revenues over expenditures	(12,305)	(12,110)	195
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>12,600</u>	<u>12,600</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	295	490	195
Unappropriated ending fund balance	(84,245)	0	84,245
FUND BALANCE - Beg. of year (Budget basis)	<u>83,950</u>	<u>83,983</u>	<u>33</u>
Close out of Water Filtration Debt Reserve Fund	0	68	68
FUND BALANCE - Beg. of year (Restated)	<u>83,950</u>	<u>84,051</u>	<u>101</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	84,541	<u>\$ 84,541</u>
GAAP Adjustments - Reconciled to June 2015		(174,026)	
Long-term debt activity			
Principal payments		17,774	
Interest accrued		<u>770</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$ (70,941)</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, 2016

WATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Water Utility Fund	\$ 775,310	\$ 793,746	\$ (18,436)
Water Systems Development Fund	433	0	433
Water Capital Improvement Fund	188,337	205,967	(17,630)
Water SPWF Debt Fund	<u>25,694</u>	<u>25,204</u>	<u>490</u>
 Total budgetary basis	 <u>\$ 989,774</u>	 <u>\$ 1,024,917</u>	 (35,143)
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Additions			176,785
Depreciation			(196,402)
Long-term debt activity			
Principal payments			17,774
Interest accrued			770
Pension activity, net			<u>(54,758)</u>
 Change in net position			 <u>(90,974)</u>
 NET POSITION - Beginning of year As originally stated			 7,067,456
 Prior period adjustment			 <u>49,103</u>
 NET POSITION - Beginning of year Restated			 <u>7,116,559</u>
 NET POSITION - End of year			 <u>\$ 7,025,585</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WASTEWATER UTILITY FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 1,858,000	\$ 1,809,283	\$ (48,717)
Interest earnings	3,300	5,467	2,167
Other revenue	<u>1,500</u>	<u>4,197</u>	<u>2,697</u>
Total revenues	<u>1,862,800</u>	<u>1,818,947</u>	<u>(43,852)</u>
EXPENDITURES			
Personnel services	336,210	315,302	20,908
Materials and services	434,560	340,125	94,435
Capital outlay	145,000	0	145,000
Contingency	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total expenditures	<u>965,770</u>	<u>655,427</u>	<u>310,343</u>
Excess (def) of revenues over expenditures	897,030	1,163,520	266,490
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,117,030)</u>	<u>(1,117,030)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(220,000)	46,490	266,490
FUND BALANCE - Beg. of year (Budget basis)	<u>220,000</u>	<u>311,958</u>	<u>91,958</u>
FUND BALANCE - End of year (Budget basis)	<u>0</u>	<u>358,448</u>	<u>358,448</u>
GAAP Adjustments - Reconciled to June 2015		16,515,203	
Capital asset activity			
Additions		136,070	
Depreciation		(728,670)	
Pension activity, net		<u>(44,662)</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$ 16,236,389</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WASTEWATER DEQ DEBT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 2,000	\$ 4,476	\$ 2,476
EXPENDITURES			
Debt Service	<u>600,000</u>	<u>573,373</u>	<u>26,627</u>
Excess (def) of revenues over expenditures	<u>(598,000)</u>	<u>(568,897)</u>	<u>29,103</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	600,000	600,000	0
Transfers out	<u>(422,585)</u>	<u>0</u>	<u>422,585</u>
Total other financing sources (uses)	<u>177,415</u>	<u>600,000</u>	<u>422,585</u>
Excess (def) of revenues over expenditures and transfers	(420,585)	31,103	451,688
Unappropriated ending fund balance	(106,415)	0	106,415
FUND BALANCE - Beg. of year (Budget basis)	<u>527,000</u>	<u>777,900</u>	<u>250,900</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	809,003	<u>\$ 809,003</u>
GAAP Adjustments - Reconciled to June 2015		(12,447,130)	
Long-term debt activity			
Principal payments		540,402	
Interest payments		<u>(36,277)</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$11,134,002</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WASTEWATER IFA DEBT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 250	\$ 488	\$ 238
EXPENDITURES			
Debt Service	<u>154,250</u>	<u>154,247</u>	<u>3</u>
Excess (def) of revenues over expenditures	(154,000)	(153,759)	241
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>154,250</u>	<u>154,250</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	250	491	241
Unappropriated ending fund balance	(101,150)	0	101,150
FUND BALANCE - Beg. of year (Budget/GAAP basis)	<u>100,900</u>	<u>101,038</u>	<u>138</u>
FUND BALANCE - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 101,529</u>	<u>\$ 101,529</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WASTEWATER SYSTEM DEVELOPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 500	\$ 807	\$ 307
EXPENDITURES			
Capital outlay	<u>133,820</u>	<u>0</u>	<u>133,820</u>
Excess (def) of revenues over expenditures	(133,320)	807	134,127
FUND BALANCE - Beg. of year (Budget/GAAP basis)	<u>133,320</u>	<u>133,364</u>	<u>44</u>
FUND BALANCE - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 134,171</u>	<u>\$ 134,171</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

WASTEWATER CAPITAL IMPROVEMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 4,500	\$ 10,927	\$ 6,427
Reimbursements	<u>60,000</u>	<u>72,000</u>	<u>12,000</u>
 Total revenues	 64,500	 82,927	 18,427
EXPENDITURES			
Capital outlay	<u>2,051,330</u>	<u>177,380</u>	<u>1,873,950</u>
 Excess (def) of revenues over expenditures	 (1,986,830)	 (94,453)	 1,892,377
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>272,530</u>	<u>272,530</u>	<u>0</u>
 Excess (def) of revenues over expenditures and transfers	 (1,714,300)	 178,077	 1,892,377
FUND BALANCE - Beg. of year (Budget/GAAP basis)	<u>1,714,300</u>	<u>1,688,609</u>	<u>(25,691)</u>
FUND BALANCE - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 1,866,686</u>	<u>\$ 1,866,686</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, 2016

WASTEWATER UTILITY FUND

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Net</u>
Budgetary Basis			
Wastewater Utility Fund	\$ 1,818,947	\$ 1,772,457	\$ 46,490
Wastewater DEQ Debt Fund	604,476	573,373	31,103
Wastewater IFA Debt Fund	154,738	154,247	491
Wastewater System Development Fund	807	0	807
Wastewater Capital Improvement Fund	<u>355,457</u>	<u>177,380</u>	<u>178,077</u>
 Total budgetary basis	 <u>\$ 2,934,425</u>	 <u>\$ 2,677,457</u>	 256,968
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Additions			136,070
Depreciation			(728,670)
Long-term debt activity			
Principal payments			540,402
Interest accrued			(36,277)
Pension activity, net			<u>(44,662)</u>
 Change in net position			 123,831
 NET POSITION - Beginning of year			 <u>7,080,942</u>
 NET POSITION - End of year			 <u>\$ 7,204,773</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

STORMWATER UTILITY FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Charges for services	\$ 73,000	\$ 72,427	\$ (573)
Interest earnings	50	542	492
Other revenue	<u>150</u>	<u>266</u>	<u>116</u>
Total revenues	<u>73,200</u>	<u>73,236</u>	<u>36</u>
EXPENDITURES			
Personnel services	27,505	24,533	2,972
Materials and services	33,895	30,955	2,940
Capital outlay	20,000	3,607	16,393
Contingency	<u>1,950</u>	<u>0</u>	<u>1,950</u>
Total expenditures	<u>83,350</u>	<u>59,096</u>	<u>24,254</u>
Excess (def) of revenues over expenditures	(10,150)	14,140	24,290
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(24,850)</u>	<u>(24,850)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(35,000)	(10,710)	24,290
FUND BALANCE - Beg. of year (Budget basis)	<u>35,000</u>	<u>68,745</u>	<u>33,745</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	58,035	<u>\$ 58,035</u>
GAAP Adjustments - Reconciled to June 2015		223,674	
Capital asset activity			
Additions		236,987	
Depreciation		(12,137)	
Long-term debt activity			
Principal payments		5,680	
Interest accrued		(86)	
Pension activity, net		(3,411)	
Deposit (right of way)		<u>16,217</u>	
FUND BALANCE - End of Year (GAAP basis)		<u>\$ 524,959</u>	

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

STORMWATER SYSTEM DEVELOPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 20	\$ 37	\$ 17
EXPENDITURES			
Capital outlay	<u>6,070</u>	<u>0</u>	<u>6,070</u>
Excess (def) of revenues over expenditures	(6,050)	37	6,087
FUND BALANCE - Beg. of year (Budget/GAAP basis)	<u>6,050</u>	<u>6,054</u>	<u>4</u>
FUND BALANCE - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 6,091</u>	<u>\$ 6,091</u>

CITY OF REEDSPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016**

STORMWATER CAPITAL IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Interest earnings	\$ 300	\$ 300	\$ 1,315	\$ (1,015)
Grant income	<u>0</u>	<u>540,000</u>	<u>144,808</u>	<u>395,192</u>
Total revenues	300	540,300	146,123	394,177
EXPENDITURES				
Capital outlay	<u>203,300</u>	<u>743,300</u>	<u>397,328</u>	<u>345,972</u>
Excess (def) of revenues over expenditures	(203,000)	(203,000)	(251,205)	(48,205)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>113,000</u>	<u>113,000</u>	<u>363,000</u>	<u>(250,000)</u>
Excess (def) of revenues over expenditures and transfers	(90,000)	(90,000)	111,795	(201,795)
FUND BALANCE - Beg. of year (Budget/GAAP basis)	<u>90,000</u>	<u>90,000</u>	<u>146,861</u>	<u>56,861</u>
FUND BALANCE - End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 258,656</u>	<u>\$ 258,656</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, 2016

STORMWATER UTILITY FUND

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
Stormwater Utility Fund	\$ 73,235	\$ 83,945	\$ (10,710)
Stormwater System Development Fund	37	0	37
Stormwater Capital Improvement Fund	<u>509,123</u>	<u>397,328</u>	<u>111,795</u>
 Total budgetary basis	 <u>\$ 582,395</u>	 <u>\$ 481,273</u>	 101,122
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Additions			236,987
Depreciation			(12,137)
Long-term debt activity			
Principal payments			5,680
Interest accrued			(86)
Pension activity, net			(3,411)
Deposit (right of way)			<u>16,217</u>
 Change in net position			 344,372
 NET POSITION - Beginning of year			 <u>445,334</u>
 NET POSITION - End of year			 <u>\$ 789,706</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, 2016**

DUNES NRA LEASE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 96,000	\$ 95,700	\$ (300)
Interest earnings	150	694	544
Other revenue	0	266	266
	<u>96,150</u>	<u>96,660</u>	<u>511</u>
EXPENDITURES			
Personnel services	30,595	27,802	2,793
Materials and services	22,155	8,907	13,248
Capital outlay	96,700	0	96,700
	<u>149,450</u>	<u>36,709</u>	<u>112,741</u>
Excess (def) of revenues over expenditures	(53,300)	59,951	113,251
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(52,700)</u>	<u>(52,700)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(106,000)	7,251	113,251
FUND BALANCE - Beg. of year (Budget basis)	<u>106,000</u>	<u>109,237</u>	<u>3,237</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	116,488	<u>\$ 116,488</u>
GAAP Adjustments - Reconciled to June 2015		351,075	
Capital asset activity			
Depreciation		(15,234)	
Pension income (expense)		<u>(2,725)</u>	
NET POSITION - End of year (GAAP basis)		<u>\$ 449,604</u>	

**CITY OF REEDSPORT
OREGON**

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES
Certified Public Accountants

February 3, 2017

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**Independent Auditor's Report
Required by Oregon State Regulations**

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

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
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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, 2016, 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 February 3, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Reedsport financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

Members:
AICPA OSCP & OAIA

Excess Expenditures Over Appropriations

The Reedsport URA - Special Revenue (component unit) overexpended by \$607 in Debt Service.

Internal Control Over Financial Reporting

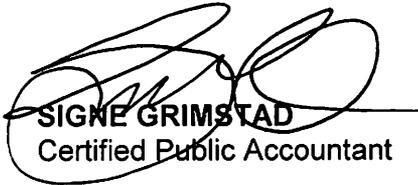
In planning and performing my audit of the financial statements, I considered City of Reedsport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements,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

GRIMSTAD & ASSOCIATES
Certified Public Accountants

February 3, 2017

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**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**

Lincoln City Office:
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Honorable Mayor and Members
of the City Council
City of Reedsport
Reedsport, Oregon

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated February 3, 2017.

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.

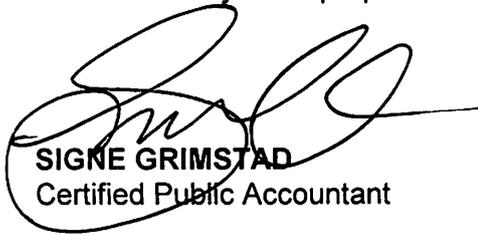
Members:
AICPA OSCPA & OAIA

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