

CITY OF STAYTON



**Stayton, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2016**

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CITY OF STAYTON
OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2016

CITY ADMINISTRATOR

Keith Campbell

MAYOR

Henry Porter

CITY COUNCIL*

Jennifer Niegel

Brian Quigley

Priscilla Glidewell

Ralph Lewis

Joe Usselman

*All Councilors receive mail at the City address listed below

CITY ADDRESS

362 N. Third Avenue
Stayton, Oregon 97383

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CITY OF STAYTON

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
CITY OF STAYTON
Stayton, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF STAYTON** 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our 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 STAYTON, as of June 30, 2016, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the General and Street Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii and the schedules of proportionate share of the net pension liability, contributions, net pension liability and changes in net pension liability, employer contributions, and investment rate of return be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 21, 2017, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
March 21, 2017

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a light blue horizontal line.

Bradley G. Bingenheimer, Member

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Stayton offers readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

The City's governmental activities assets totaled \$13.7 million at June 30, 2016, consisting of \$9.3 million in net capital assets, \$4.1 million in cash and investments and \$0.3 million in receivables and other assets. The City's governmental activities liabilities totaled \$1.3 million at June 30, 2016, consisting of \$1.0 million in noncurrent liabilities and \$0.2 million in accounts payable, other liabilities and debt due within one year. Total net position was \$12.7 million of which \$9.2 million is invested in capital assets, \$1.1 million is restricted and the remaining \$2.3 million is unrestricted.

The City's governmental activities net position increased by \$0.3 million or 2 percent. Overall governmental activities revenue increased by \$0.5 million or 12 percent. This includes \$161,000 in the Swimming Pool Fund (previously accounted for as business-type activities). The most significant revenue increases were charges for services (\$157,000) and capital grants and contributions (\$329,000). Miscellaneous revenue decreased by \$156,000.

The City's business-type activities assets totaled \$25.9 million at June 30, 2016, consisting of \$21.2 million in capital assets, \$3.8 million in cash and investments and \$0.9 million in receivables and other assets. The City's business-type activities liabilities totaled \$17.9 million at June 30, 2016, consisting of \$16.9 million in noncurrent liabilities, \$0.7 million due within one year and \$0.3 million in accounts payable and other liabilities. Total net position was \$8.2 million of which \$4.1 million is invested in capital assets, net of related debt, \$0.5 million is restricted and the remaining \$3.6 million is unrestricted.

The City's business-type activities net position increased by \$140,000 or 2 percent. Business-type activities revenue decreased by \$125,000 or 2 percent. Capital grants and contributions were \$74,000 in fiscal year 2016 compared to none in fiscal year 2015. Charges for services decreased \$76,000 or 1.5 percent.

The City restated its net position as of June 30, 2015 for its governmental activities as follows:

- Net position for the Swimming Pool Fund of \$375,885 was reclassified from business-type activities to governmental activities.
- Net position was reduced by \$16,241 to recognize an adjustment to accounts receivable in the General Fund.
- Net position was increased \$143,484 to record deferred outflows related to employer contributions to PERS that should have been recorded in the previous year.
- Net position was reduced \$28,333 due to improper implementation in the previous year of GASB 68 for the City's retirement plan.
- Net position was reduced \$25.6 million to recognize the revaluation of infrastructure and other assets, adjustment to accumulated depreciation, and removal of items costing less than \$5,000.

The City restated its net position as of June 30, 2015 for its business-type activities as follows:

- Net position for the Swimming Pool Fund of \$375,885 was reclassified from business-type activities to governmental activities.
- Assets were reduced \$10.2 million, \$5.0 in the Water Fund and \$5.2 million in the Sewer Fund.
- Liabilities were reduced by \$76,679, (\$40,272 in the Water Fund and \$36,407 for adjustments to deposits).
- A debt was recognized in the amount of \$0.8 million in the Sewer Fund, reducing net position.
- Net position was increased \$0.4 million to reflect unrecorded inventory in the Water Fund (\$76,635) and Sewer Fund (\$319,675).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of 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 overview of the City of Stayton's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Stayton 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 costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, and culture and recreation. The business-type activities include water, sewer and stormwater 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 of Stayton, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

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 financing 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 change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Stayton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street and Parks Construction Funds. Information for the remaining (nonmajor) funds are combined into a single aggregate presentation. Individual fund information for each of the remaining funds is provided in the form of combining schedules in the supplemental information.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Proprietary Funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Stayton uses eight enterprise funds to account for its water, sewer, and stormwater activities.

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 assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments. Agency funds are custodial in nature and do not involve measurement of results of operations.

Notes to the Basic 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.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Budgetary comparison schedules for major governmental funds are presented immediately following the notes to the basic financial statements.

Other Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary 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. In the case of the City of Stayton, assets exceeded liabilities by \$21.0 million as of June 30, 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 1 - Net Position as of June 30

(amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$4,449	\$4,669	\$4,698	\$4,773	\$9,147	\$9,442
Capital assets	9,236	33,722	21,161	31,807	30,397	65,529
Total assets	13,685	38,391	25,859	36,580	39,544	74,971
Deferred outflows of resources	517	-	325	-	842	-
Liabilities						
Long-term liabilities	1,026	336	16,836	1,130	17,862	1,466
Other liabilities	227	-	1,037	16,463	1,264	16,463
Total liabilities	1,253	336	17,873	17,593	19,126	17,929
Deferred inflows of resources	260	595	71	-	331	595
Net position:						
Net investment in capital assets	9,237	33,722	4,386	14,688	13,623	48,410
Restricted for:						
Highways and streets	571	547	-	-	571	547
Swimming pool	73	-	-	33	73	33
Capital projects	511	758	457	1,099	968	1,857
Unrestricted	2,298	2,433	3,395	3,167	5,693	5,600
Total net position	\$12,690	\$37,460	\$8,238	\$18,987	\$20,928	\$56,447

Table 2 - Changes in Net Position

(amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$518	\$351	\$5,005	\$5,081	\$5,523	\$5,432
Operating grants and contributions	51	1	-	-	51	1
Capital grants and contributions	553	224	74	-	627	224
General revenue						
Property taxes	2,162	2,028	-	158	2,162	2,186
Franchise fees	815	855	-	-	815	855
Intergovernmental	646	603	-	-	646	603
Miscellaneous	135	291	70	45	205	
Investment earnings	22	13	30	20	52	33
Total revenues	4,902	4,366	5,179	5,304	10,081	9,334
Expenses						
Governmental activities						
General government	1,208	1,877	-	-	1,208	1,877
Public safety	2,514	1,624	-	-	2,514	1,624
Highways and streets	832	669	-	-	832	669
Culture and recreation	914	630	-	-	914	630
Business-type activities						
Water	-	-	1,363	865	1,363	865
Sewer	-	-	2,370	1,975	2,370	1,975
Stormwater	-	-	434	111	434	111
Swimming pool	-	-	-	195	-	195
Total expenses	5,468	4,800	4,167	3,146	9,635	7,946
Change in net position before transfers	-566	-434	1,012	2,158	446	1,724
Transfers	872	837	-872	-837	-	-
Change in net position	306	403	140	1,321	446	1,724
Net position - beginning	37,493	37,090	18,954	17,633	56,447	54,723
Prior period adjustment	-25,109	-	-10,856	-	-35,965	-
Net position - beginning, as restated	12,384	37,090	8,098	17,633	20,482	54,723
Net position - ending	\$12,690	\$37,493	\$8,238	\$18,954	\$20,928	\$56,447

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

At the end of the current fiscal year, the City of Stayton is able to report positive balances of net position in its governmental and business-type activities as well as the government as a whole.

Governmental activities. Governmental activities increased the net position by \$0.3 million.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Stayton'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 of Stayton's financing requirements. In particular, the *unassigned 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 of Stayton's governmental funds reported combined ending fund balances of \$4.3 million an increase of \$0.2 million from the previous year-end balance.

The General Fund is the chief operating fund of the City of Stayton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1.2 million.

The fund balance of the City's General Fund decreased by \$13,912 during the current fiscal year. The fund balance of the Street Fund increased by \$0.3 million.

Proprietary funds. The City of Stayton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of June 30, 2016, unrestricted net position of the Water Fund amounted to \$0.9 million. As of June 30, 2016, unrestricted net position of the Sewer Fund amounted to \$2.6 million. Nonmajor proprietary funds had unrestricted net position of \$0.2 million as of June 30, 2016.

General Fund Budgetary Highlights

General Fund actual revenue of \$3.1 million exceeded budgeted revenue of \$3.0 million. Fines and forfeiture revenue was \$71,765 greater than budgeted. Expenditures for the General Fund were underspent by \$0.4 million when compared to the budget (\$3.27 million actual to \$3.63 million budgeted). The under spending can be attributed to City staff restraining spending throughout the fiscal year. The General Fund fund balance declined \$13,912, 1% during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Asset and Debt Administration

Capital assets. The City of Stayton's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$30.4 million (net of accumulated depreciation). During fiscal year 2016 the City acquired \$1.1 of governmental assets and \$0.7 million of business-type assets, while incurring \$1.2 million in depreciation expense.

The investment in capital assets includes land, buildings and improvements, infrastructure, and equipment and vehicles.

The following table summarizes the City of Stayton's capital assets as of June 30, 2016:

Table 3

Capital Assets as of June 30th
(net of depreciation, in thousands)

	Governmental		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,759	\$1,759	\$283	\$247	\$2,042	\$2,006
Buildings and improvements	3,247	2,611	4,596	4,721	7,843	7,332
Equipment and vehicles	624	557	792	893	1,416	1,450
Infrastructure	3,606	3,529	15,489	15,432	19,095	18,961
Construction in progress	-	52	-	-	-	52
Capital assets, net of depreciation	\$9,236	\$8,508	\$21,160	\$21,293	\$30,396	\$29,801

Additional information on the City of Stayton's capital assets can be found in note 6.

Long-term debt. At the end of fiscal year 2016, the City of Stayton had total long-term liabilities outstanding of \$17.3 million. During the fiscal year the City completed a \$4.5 million refinancing of its obligation due the State of Oregon's Business Oregon Revolving Loan Fund million for water improvements. During the year \$0.5 million of scheduled principal was repaid.

Table 4

Outstanding Long-term Debt Obligations as of June 30th
(in thousands)

	Governmental		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds payable	\$-	\$-	\$17,344	\$13,332	\$17,344	\$13,332
Notes payable	-	-	-	4,570	-	4,570
Total	\$-	\$-	\$17,344	\$17,902	\$17,344	\$17,902

Additional information on the City of Stayton's long-term debt can be found in note 9.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Economic Factors and Next Year’s Budgets and Rates

In preparing the budget for fiscal year 2016-17, inflation was low and property values were showing modest increases. Therefore, property taxes were budgeted to increase 3 percent, utility rates and street fees were not increased. Growth in fiscal year 2017 is budgeted at less than 0.5 percent.

Although the regional economy has strengthened and inflation remains low, forecast personnel costs outpace projected increases in revenues. Therefore, the City continues to operate with a smaller staff than its peak in 2008. Going forward, personnel costs are anticipated to be negatively impacted by increased costs for PERS, the City’s own retirement plan and health insurance. Staffing levels are anticipated to remain consistent with current levels, however increases in revenue will be needed.

Requests for information

This financial report is designed to provide a general overview of the City of Stayton’s finances for all those with an interest 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 Finance Director, 362 N. 3rd Avenue, Stayton, 97383.

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BASIC FINANCIAL STATEMENTS

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CITY OF STAYTON

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 4,114,015	3,783,092	\$ 7,897,107
Receivables, net	272,951	414,206	687,157
Inventory	-	396,310	396,310
Prepaid items	61,842	104,595	166,437
Capital assets:			
Land and construction in progress	1,759,203	283,157	2,042,360
Other capital assets, net	7,476,974	20,877,161	28,354,135
TOTAL ASSETS	13,684,985	25,858,521	39,543,506
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Refunded debt charges	-	57,737	57,737
Pension related items	517,490	267,002	784,492
TOTAL DEFERRED OUTFLOWS OF RESOURCES	517,490	324,739	842,229
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	78,116	56,016	134,132
Accrued interest payable	-	216,639	216,639
Deposits	900	27,816	28,716
Long-term liabilities:			
Due within one year	147,928	737,287	885,215
Due in more than one year	1,025,881	16,835,913	17,861,794
TOTAL LIABILITIES	1,252,825	17,873,671	19,126,496
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	259,858	71,153	331,011
<u>NET POSITION</u>			
Net investment in capital assets	9,236,177	4,128,098	13,364,275
Restricted for:			
Highways and streets	571,471	-	571,471
Swimming pool	73,355	-	73,355
Capital projects	511,109	457,501	968,610
Unrestricted	2,297,680	3,652,837	5,950,517
TOTAL NET POSITION	\$ 12,689,792	\$ 8,238,436	\$ 20,928,228

See accompanying notes

CITY OF STAYTON

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government	\$ 1,208,349	\$ 143,992	\$ -	\$ -	\$ (1,064,357)		\$ (1,064,357)
Public safety	2,513,630	178,243	5,112	-	(2,330,275)		(2,330,275)
Highways and streets	831,631	92,491	-	43,906	(695,234)		(695,234)
Culture and recreation	914,155	103,396	45,780	509,262	(255,717)		(255,717)
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,467,765</u>	<u>518,122</u>	<u>50,892</u>	<u>553,168</u>	<u>(4,345,583)</u>		<u>(4,345,583)</u>
Business-type activities:							
Water	1,363,200	1,780,782	\$ -	31,161		\$ 448,743	448,743
Sewer	2,369,607	2,979,423	-	23,726		633,542	633,542
Stormwater	434,139	244,613	-	18,788		(170,738)	(170,738)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,166,946</u>	<u>5,004,818</u>	<u>-</u>	<u>73,675</u>		<u>911,547</u>	<u>911,547</u>
TOTALS	<u>\$ 9,634,711</u>	<u>\$ 5,522,940</u>	<u>\$ 50,892</u>	<u>\$ 626,843</u>	<u>(4,345,583)</u>	<u>911,547</u>	<u>(3,434,036)</u>
General revenues:							
Taxes levied for:							
General purposes					1,831,335	-	1,831,335
Specific purposes					330,113	-	330,113
Franchise fees					815,372	-	815,372
Fuel taxes					456,365	-	456,365
Grants and contributions not restricted to specific programs					189,297	-	189,297
Rent					74,813	-	74,813
Unrestricted investment earnings					21,353	29,591	50,944
Miscellaneous					60,357	71,440	131,797
Transfers					<u>872,425</u>	<u>(872,425)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>4,651,430</u>	<u>(771,394)</u>	<u>3,880,036</u>
Change in net position					305,847	140,153	446,000
Net position - beginning					37,493,060	18,954,230	56,447,290
Prior period adjustment					<u>(25,109,115)</u>	<u>(10,855,947)</u>	<u>(35,965,062)</u>
Net position - ending					<u>\$ 12,689,792</u>	<u>\$ 8,238,436</u>	<u>\$ 20,928,228</u>

See accompanying notes

CITY OF STAYTON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Street	Parks Construction	Total Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 1,062,488	\$ 527,428	\$ (9,674)	\$ 2,533,773	\$ 4,114,015
Receivables	188,550	48,687	-	35,714	272,951
Prepaid items	38,216	3,455	-	20,171	61,842
TOTAL ASSETS	<u>\$ 1,289,254</u>	<u>\$ 579,570</u>	<u>\$ (9,674)</u>	<u>\$ 2,589,658</u>	<u>\$ 4,448,808</u>
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 25,689	\$ 8,099	\$ 25,000	19,328	78,116
Consumer deposits	900	-	-	-	900
TOTAL LIABILITIES	<u>26,589</u>	<u>8,099</u>	<u>25,000</u>	<u>19,328</u>	<u>79,016</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	67,860	-	-	15,082	82,942
<u>FUND BALANCES</u>					
Nonspendable	38,216	3,455	-	20,171	61,842
Restricted for:					
Highways and streets	-	568,016	-	-	568,016
Swimming pool	-	-	-	59,244	59,244
Capital projects	-	-	-	511,109	511,109
Committed for:					
Capital projects	-	-	-	1,551,750	1,551,750
Library programs	-	-	-	144,217	144,217
Public works	-	-	-	161,674	161,674
Community projects	-	-	-	108,239	108,239
Unassigned	1,156,589	-	(34,674)	(1,156)	1,120,759
TOTAL FUND BALANCES	<u>1,194,805</u>	<u>571,471</u>	<u>(34,674)</u>	<u>2,555,248</u>	<u>4,286,850</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,289,254</u>	<u>\$ 579,570</u>	<u>\$ (9,674)</u>	<u>\$ 2,589,658</u>	

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	9,236,177
The government-wide statements report as a deferred outflow, contributions made to OPERS subsequent to the measurement date of June 30, 2015 and changes in assumptions and investment returns related to its participation in OPERS and the retirement plan for employees of City of Stayton	517,490
The government-wide statements report a deferred inflow related to changes in assumptions and investment returns related to participation in OPERS and the retirement plan for employees of City of Stayton	(259,858)
Other long-term assets are not available for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	82,942
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,173,809)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 12,689,792

See accompanying notes

CITY OF STAYTON

**STATEMENT OF REVENUES, EXPENDITURE AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	General	Street	Parks Construction	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,833,077	\$ -	\$ 10,744	\$ 316,598	\$ 2,160,419
Franchise fees	815,372	-	-	-	815,372
Licenses, permits and fees	30,242	-	-	7,135	37,377
Fines and forfeitures	176,265	-	-	8,554	184,819
Charges for services	4,354	86,429	-	84,946	175,729
Donations	-	-	-	25,239	25,239
System development charges	-	-	-	65,268	65,268
Intergovernmental	187,207	456,365	487,900	25,653	1,157,125
Rent	30,228	-	-	44,585	74,813
Interest	2,978	4,087	-	14,288	21,353
Miscellaneous	14,684	7,102	-	160,858	182,644
TOTAL REVENUES	<u>3,094,407</u>	<u>553,983</u>	<u>498,644</u>	<u>753,124</u>	<u>4,900,158</u>
EXPENDITURES					
Current					
General government	1,026,230	-	-	160,894	1,187,124
Public safety	1,875,559	-	-	-	1,875,559
Highways and streets	90,490	243,234	-	389,426	723,150
Culture and recreation	188,041	-	-	540,858	728,899
Capital outlay	85,594	161,429	698,150	131,644	1,076,817
TOTAL EXPENDITURES	<u>3,265,914</u>	<u>404,663</u>	<u>698,150</u>	<u>1,222,822</u>	<u>5,591,549</u>
Excess (deficiency) of revenues over expenditures	<u>(171,507)</u>	<u>149,320</u>	<u>(199,506)</u>	<u>(469,698)</u>	<u>(691,391)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	357,595	-	-	842,662	1,200,257
Transfers out	<u>(200,000)</u>	<u>(125,312)</u>	<u>-</u>	<u>(2,520)</u>	<u>(327,832)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>157,595</u>	<u>(125,312)</u>	<u>-</u>	<u>840,142</u>	<u>872,425</u>
Net change in fund balances	(13,912)	24,008	(199,506)	370,444	181,034
Fund balances at beginning of year	1,224,958	547,463	164,832	2,184,804	4,122,057
Prior period adjustment	<u>(16,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,241)</u>
Fund balance at end of year	<u>\$ 1,194,805</u>	<u>\$ 571,471</u>	<u>\$ (34,674)</u>	<u>\$ 2,555,248</u>	<u>\$ 4,286,850</u>

See accompanying notes

CITY OF STAYTON

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 181,034

*Amounts reported for governmental activities in the
Statement of Activities are different because of the following*

Governmental funds report the acquisition of capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between those two amounts is:

Acquisition of capital assets	\$ 1,065,286	
Depreciation	<u>(336,850)</u>	728,436

The changes in net pension liability (asset) and deferred inflows and outflows related to the entity's participation in OPERS and the Retirement Plan for Employees of the City of Stayton are reported as pension expense on the statement of activities (585,225)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Taxes	1,029
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	<u>(19,427)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 305,847

CITY OF STAYTON

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

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 1,809,000	\$ 1,809,000	\$ 1,833,077	\$ 24,077
Franchise fees	788,000	788,000	815,372	27,372
Licenses, permits and fees	20,000	20,000	30,242	10,242
Fines and forfeitures	105,500	105,500	176,265	70,765
Charges for services	7,200	7,200	4,354	(2,846)
Intergovernmental	175,190	175,190	187,207	12,017
Rent	29,360	29,360	30,228	868
Interest	2,000	2,000	2,978	978
Miscellaneous	17,000	17,000	14,684	(2,316)
TOTAL REVENUES	<u>2,953,250</u>	<u>2,953,250</u>	<u>3,094,407</u>	<u>141,157</u>
EXPENDITURES				
Personal services	2,199,172	2,199,172	2,150,911	48,261
Materials and services	979,536	1,224,536	1,029,409	195,127
Capital outlay	147,500	147,500	85,594	61,906
Contingency	300,000	55,000	-	55,000
TOTAL EXPENDITURES	<u>3,626,208</u>	<u>3,626,208</u>	<u>3,265,914</u>	<u>360,294</u>
Excess (deficiency) of revenues over expenditures	<u>(672,958)</u>	<u>(672,958)</u>	<u>(171,507)</u>	<u>501,451</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	357,595	357,595	357,595	-
Transfers out	(245,000)	(245,000)	(200,000)	45,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>112,595</u>	<u>112,595</u>	<u>157,595</u>	<u>45,000</u>
Net change in fund balance	(560,363)	(560,363)	(13,912)	546,451
Fund balance at beginning of year	800,000	800,000	1,224,958	424,958
Prior period adjustment	-	-	(16,241)	(16,241)
Fund balance at end of year	<u>\$ 239,637</u>	<u>\$ 239,637</u>	<u>\$ 1,194,805</u>	<u>\$ 955,168</u>

See accompanying notes

CITY OF STAYTON

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

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Charges for services	\$ 84,000	\$ 84,000	\$ 86,429	\$ 2,429
Intergovernmental	511,876	511,876	456,365	(55,511)
Interest	900	900	4,087	3,187
Miscellaneous	<u>50,250</u>	<u>50,250</u>	<u>7,102</u>	<u>(43,148)</u>
TOTAL REVENUES	<u>647,026</u>	<u>647,026</u>	<u>553,983</u>	<u>(93,043)</u>
EXPENDITURES				
Personal services	85,460	85,460	83,785	1,675
Materials and services	232,780	232,780	159,449	73,331
Capital outlay	435,000	435,000	161,429	273,571
Contingency	<u>93,474</u>	<u>93,474</u>	<u>-</u>	<u>93,474</u>
TOTAL EXPENDITURES	<u>846,714</u>	<u>846,714</u>	<u>404,663</u>	<u>442,051</u>
Excess (deficiency) of revenues over expenditures	(199,688)	(199,688)	149,320	349,008
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(125,312)</u>	<u>(125,312)</u>	<u>(125,312)</u>	<u>-</u>
Net change in fund balance	(325,000)	(325,000)	24,008	349,008
Fund balance at beginning of year	<u>400,000</u>	<u>400,000</u>	<u>547,463</u>	<u>147,463</u>
Fund balance at end of year	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 571,471</u>	<u>\$ 496,471</u>

See accompanying notes

CITY OF STAYTON

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016**

	Business-type Activities			
	Water	Sewer	Total Nonmajor Funds	Total Enterprise Funds
<u>ASSETS</u>				
Current assets				
Cash and investments	\$ 632,990	\$ 2,549,143	\$ 600,959	\$ 3,783,092
Receivables, net	127,693	261,196	25,317	414,206
Inventory	76,635	319,675	-	396,310
Prepaid items	39,769	52,922	11,904	104,595
Total current assets	<u>877,087</u>	<u>3,182,936</u>	<u>638,180</u>	<u>4,698,203</u>
Capital assets				
Land	31,825	215,332	36,000	283,157
Other capital assets, net	7,257,968	13,619,193	-	20,877,161
Total capital assets	<u>7,289,793</u>	<u>13,834,525</u>	<u>36,000</u>	<u>21,160,318</u>
TOTAL ASSETS	<u>8,166,880</u>	<u>17,017,461</u>	<u>674,180</u>	<u>25,858,521</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Refunded debt charges	57,737	-	-	57,737
Pension related items	123,020	139,739	4,243	267,002
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>180,757</u>	<u>139,739</u>	<u>4,243</u>	<u>324,739</u>
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable and accrued liabilities	2,799	36,212	17,005	56,016
Accrued interest payable	26,998	189,641	-	216,639
Consumer deposits	13,908	13,908	-	27,816
Compensated absences payable	14,126	19,120	-	33,246
Long-term obligations due within one year	216,414	487,627	-	704,041
Total current liabilities	274,245	746,508	17,005	1,037,758
Long-term obligations due in more than one year	4,365,130	12,467,672	3,111	16,835,913
TOTAL LIABILITIES	<u>4,639,375</u>	<u>13,214,180</u>	<u>20,116</u>	<u>17,873,671</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension related items	32,783	37,239	1,131	71,153
<u>NET POSITION</u>				
Net investment in capital assets	2,798,581	1,293,517	36,000	4,128,098
Restricted for capital projects	-	-	457,501	457,501
Unrestricted	876,898	2,612,264	163,675	3,652,837
TOTAL NET POSITION	<u>\$ 3,675,479</u>	<u>\$ 3,905,781</u>	<u>\$ 657,176</u>	<u>\$ 8,238,436</u>

See accompanying notes

CITY OF STAYTON

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016**

	Business-type Activities			Totals Enterprise Funds
	Water	Sewer	Total Nonmajor Funds	
OPERATING REVENUES				
Charges for services	\$ 1,780,782	\$ 2,979,423	\$ 244,613	\$ 5,004,818
OPERATING EXPENSES				
Personal services	413,686	595,555	30,322	1,039,563
Materials and services	430,589	881,843	403,817	1,716,249
Depreciation	359,588	546,158	-	905,746
Total operating expenses	1,203,863	2,023,556	434,139	3,661,558
Operating income (loss)	576,919	955,867	(189,526)	1,343,260
NONOPERATING REVENUES (EXPENSES)				
Interest	4,995	19,967	4,629	29,591
Miscellaneous	999	441	70,000	71,440
Bond issuance costs	(66,780)	-	-	(66,780)
Interest	(92,557)	(346,051)	-	(438,608)
Total nonoperating revenue (expenses)	(153,343)	(325,643)	74,629	(404,357)
Income (loss) before capital contributions and transfers	423,576	630,224	(114,897)	938,903
Capital contributions	-	-	73,675	73,675
Transfers in	-	-	266,000	266,000
Transfers out	(408,564)	(385,171)	(344,690)	(1,138,425)
Change in net position	15,012	245,053	(119,912)	140,153
Net position - beginning	8,508,922	9,291,600	777,823	18,578,345
Prior period adjustment	(4,848,455)	(5,630,872)	(735)	(10,480,062)
Net position - ending	\$ 3,675,479	\$ 3,905,781	\$ 657,176	\$ 8,238,436

See accompanying notes

CITY OF STAYTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Business-type Activities			
	Water	Sewer	Total Nonmajor Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,790,156	\$ 3,009,076	\$ 220,272	\$ 5,019,504
Payments to suppliers	(482,338)	(924,469)	(420,079)	(1,826,886)
Payments to employees	(426,287)	(605,655)	(31,058)	(1,063,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>881,531</u>	<u>1,478,952</u>	<u>(230,865)</u>	<u>2,129,618</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	230,000	230,000
Transfers out	(408,564)	(385,171)	(308,690)	(1,102,425)
NET CASH (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(408,564)</u>	<u>(385,171)</u>	<u>(78,690)</u>	<u>(872,425)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges received	-	-	73,675	73,675
Other	999	441	70,000	71,440
Acquisition of capital assets	(123,817)	(613,048)	(36,000)	(772,865)
Issuance of long-term obligations	3,945,000	-	-	3,945,000
Bond issuance costs	(66,780)	-	-	(66,780)
Premium on bond refunding	546,212	-	-	546,212
Principal paid on long-term obligations	(4,627,859)	(453,247)	-	(5,081,106)
Interest paid on long-term obligations	(155,384)	(373,927)	-	(529,311)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(481,629)</u>	<u>(1,439,781)</u>	<u>107,675</u>	<u>(1,813,735)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	4,995	19,967	4,629	29,591
Net (decrease) in cash	(3,667)	(326,033)	(197,251)	(526,951)
Cash - beginning of year	636,657	2,875,176	798,210	4,310,043
Cash - end of year	<u>\$ 632,990</u>	<u>\$ 2,549,143</u>	<u>\$ 600,959</u>	<u>\$ 3,783,092</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 576,919	\$ 955,867	\$ (189,526)	\$ 1,343,260
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	359,588	546,158	-	905,746
(Increase) decrease in assets and deferred outflows				
Receivables, net	2,988	23,269	(24,341)	1,916
Prepaid items	(39,769)	(52,922)	(11,904)	(104,595)
Net pension asset	20,320	24,240	1,289	45,849
Pension related items	(78,897)	(87,105)	(1,445)	(167,447)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable and accrued liabilities	(11,980)	10,296	(4,358)	(6,042)
Consumer deposits	6,386	6,384	-	12,770
Compensated absences payable	1,468	7,845	-	9,313
Net other post employment benefits obligation	(2,427)	(4,062)	-	(6,489)
Net pension liability	90,192	102,450	3,111	195,753
Pension related items	(43,257)	(53,468)	(3,691)	(100,416)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 881,531</u>	<u>\$ 1,478,952</u>	<u>\$ (230,865)</u>	<u>\$ 2,129,618</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS				
Transfers in	\$ -	\$ -	\$ 36,000	\$ 36,000
Transfers out	-	-	(36,000)	(36,000)
Total noncash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes

CITY OF STAYTON
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Pension Trust
<u>ASSETS</u>	
Cash	\$ 248,834
Investments, at fair value	
Mutual funds	6,098,971
 TOTAL ASSETS	 6,347,805
 <u>NET POSITION</u>	
Net position held in trust for:	
Pension benefits	6,267,517
Other post-employment benefits	80,288
 TOTAL NET POSITION	 \$ 6,347,805

See accompanying notes

CITY OF STAYTON
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2016

	Pension Trust
ADDITIONS	
Employer contributions	\$ 306,925
Investment earnings	146,507
Total additions	453,432
DEDUCTIONS	
Benefits	228,933
Administrative expenses	97,898
Total deductions	326,831
Change in net position	126,601
Net position - beginning of year	6,221,204
Net position - end of year	\$ 6,347,805

See accompanying notes

CITY OF STAYTON

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. Summary of significant accounting policies

A. Financial reporting entity

The **CITY OF STAYTON** (City) was organized under the general laws of the State of Oregon. Control of the City is vested in its Mayor and Council Members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Mayor and Council. The chief administrative officer is the City Administrator.

The accompanying financial statements present all activities, funds and the component unit for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, 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 expenses 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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. 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 judgments, are recorded only when payment is due.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

- *General* – The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- *Street* – This Fund provides for street and bridge repairs and maintenance within the City. The primary source of revenue is from state gas tax turnovers and maintenance fees collected by the City.
- *Parks Construction* – This fund accounts for expenditures related to the Pioneer Park renovations. Sources of funds include local and state grants.

The City reports the following major proprietary funds:

- *Water* – The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water system and billing and collection activities.
- *Sewer* – The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities.

The City also includes the following fund types as nonmajor governmental funds and nonmajor enterprise funds:

Special revenue – are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital projects – are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by business-type or proprietary funds).

Enterprise – accounts for operations of predominantly self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis.

The City reports the following fiduciary fund type:

Pension trust – accounts for the Retirement Plan for Employees of the City of Stayton and the Retirement Health Insurance Account.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

D. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The City established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

E. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

F. Property taxes

Uncollected property taxes in governmental funds are reported in governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred revenue. Property taxes are collected within 60 days of the end of the current period are considered measurable and available and are recognized as revenue.

G. User charges and fines receivable

User charges and fines receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that have not been collected by the time the financial statements are issued.

H. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories consist of expendable supplies held for consumption.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

I. Capital assets

Capital assets are recorded in the statement of net position at cost or estimated historical cost if purchased or constructed. Donated items are recorded at their estimated fair value at the date of donation. The City records capital assets for items with original cost, or estimated fair value if donated, of \$5,000 or more and an expected economic useful life of 1 year or more.

Public domain (infrastructure) capital assets (e.g., roads, bridges, sidewalks, storm sewers, and other assets that are immovable and of value to the City) that have been acquired or significantly reconstructed have been capitalized at estimated historical cost.

Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in the change in net position. Depreciation taken on contributed capital assets is recorded as an expense of operations and charged to retained earnings.

Capital assets are depreciated using the straight-line method over the following estimated useful lives with prorated depreciation in the year of acquisition and prorated depreciation in the year of disposal.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40 - 50
Equipment and vehicles	3 - 10
Infrastructure	15 - 75

J. Long-term obligations

Long-term obligations consist of notes, bonds, and compensated absences.

Long-term obligations expected to be repaid from proprietary funds are accounted for in the business-type activities and proprietary funds. Long-term obligations expected to be repaid from governmental funds are accounted for in the governmental activities.

K. Compensated absences

Vacation and comp-time leave amounts are accrued as they are earned. Sick leave is earned each month with no limit on accumulation.

L. Pensions – Oregon Public Employee Retirement System

Police employees of the City participate in the Oregon Public Employee Retirement System (OPERS). 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 OPERS and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

M. Pensions – Retirement Plan for Employees of the City of Stayton

Substantially all of the City's non-police employees are participants in the Retirement Plan for Employees of the City of Stayton (the Plan). Contributions to the Plan are made on a current basis as required by the Plan and are charged to expenditures or expenses when due and the employer has made a formal commitment to provide the contribution.

The assets of the Plan are invested in various mutual funds. The City pays the investment expenses of the Plan.

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 net position of the Plan and additions to/deductions from the net position of the Plan have been determined on the same basis as reported by the Plan. 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.

N. Deferred outflow / inflows of resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. These include refunded debt charges and pension related items.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents amount that apply to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. Pension related items which are amortized over specified periods are reported as deferred inflows of resources.

The balance sheet of governmental funds will report as deferred inflows unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

O. Equity classification

i. Government-wide and proprietary fund net position

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

O. Equity classification (continued)

i. Government-wide and proprietary fund net position (continued)

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the government-wide and proprietary fund financial statements, when both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

ii. Governmental fund type fund balance reporting

Governmental type fund balances are to be properly reported within one of the fund balance categories list below:

Non-spendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the Administrative Services Director to assign fund balance amounts.

Unassigned — The residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

P. Risk management

The City is exposed to various risks of loss related to errors and omissions, automobile, damage to and destruction of assets, bodily injury, and worker's compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

2. Prior period adjustments

A. Business-type activities / enterprise funds

The beginning net position of the business-type activities has been decreased \$375,885 due to the Swimming Pool Fund being reclassified to governmental activities.

The beginning net position of the Water and Sewer Funds have been adjusted to remove capital assets that did not exist and to record accumulated depreciation that was not recorded. Beginning net position was decreased in the Water and Sewer Funds by \$4,953,765 and \$5,190,541, respectively. Due to this, the beginning net position of the business-type activities was also decreased \$10,223,759.

The beginning fund balance of the Water and Sewer Funds have been adjusted to decrease consumer deposits recorded in the prior year. Beginning fund balances were increased in the Water and Sewer funds by \$40,272 and \$36,407, respectively. Due to this, the beginning net position of the business-type activities was increased \$76,679.

The beginning net position of the Water, Sewer and Stormwater Funds have been adjusted to properly record net pension liability, deferred outflows of resources and deferred inflows of resources for the implementation of GASB 68 in the prior year. Beginning net position was decreased in the Water, Sewer and Stormwater Funds by \$11,597, \$13,833, and \$735, respectively. Due to this, the beginning net position of the business-type activities was also decreased \$26,165.

The beginning net position of the Sewer Fund has been adjusted to reflect actual debt owed by the City and related bond premiums. Beginning net position was decreased \$782,580 in the Sewer Fund and the business-type activities due to this.

The beginning net position of the Sewer and Water Funds have been adjusted to reflect unrecorded inventory on hand at year end. Beginning net position was increased in the Water and Sewer Funds by \$76,635 and \$319,675, respectively. Due to this, the beginning net position of the business-type activities was increased \$396,130.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Prior period adjustments (continued)

B. Governmental activities / governmental funds

The governmental activities' beginning net position increased \$375,885 due to the reclassification of the Swimming Pool Fund from business-type activities to governmental activities.

The beginning net position of the governmental activities has been decreased to remove accounts receivable which were erroneously recorded in the prior year in the amount of \$16,241. The beginning fund balance of the General Fund has also been decreased by this same amount.

The beginning net position of the governmental activities was decreased \$25,583,910 to remove capital assets recorded in previous years that were incorrectly valued during the implementation of GASB 34.

The beginning net position of the governmental activities was increased \$143,484 to record deferred outflows related to employer contributions to PERS that should have been recorded in the prior year.

The beginning net position of the governmental activities was decreased \$28,333 due improper implementation of GASB 68 in the previous year for the City's retirement plan.

3. Deposits and investments

The City maintains a pool of cash and investments that are available for use by all funds except for the Pension Trust. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Investments of the Pension Trust are stated at fair value based on quoted market prices.

Credit risk: Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Deposits and investments (continued)

As of June 30, 2016, the City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Governmental Activities / Funds and Business-type Activities / Proprietary Funds		
State Treasurer's Investment Pool	N/A	\$ 8,648,124
Pension Trust		
Interest bearing cash		248,834
Mutual funds		<u>6,098,971</u>
		<u>\$ 14,995,929</u>

Interest Rate Risk: The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The City does not have a formal policy that places a limit on the amount that may be invested in any one issuer.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2016, none of the City's bank balances were exposed to custodial risk.

A. The City's deposits and investments at June 30, 2016 are as follows:

Investments	\$ 14,995,929
Deposits with financial institutions	<u>(751,017)</u>
Total deposits and investments	<u>\$ 14,244,912</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Deposits and investments (continued)

B. Cash and investments by fund:

<u>Governmental activities/funds</u>	
Unrestricted	
General	\$ 1,062,488
Street	527,428
Parks construction	(9,674)
Nonmajor governmental	<u>2,533,773</u>
Total governmental activities/funds	<u>4,114,015</u>
 <u>Business-type activities/proprietary funds</u>	
Water	632,990
Sewer	2,549,143
Nonmajor enterprise	<u>600,959</u>
Total business-type activities/proprietary funds	<u>3,783,092</u>
 Fiduciary fund	
Pension trust	<u>6,347,805</u>
Total cash and investments	<u><u>\$ 14,244,912</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Fair Value Measurements

The Governmental Accounting Standards Board (GASB) Statement No. 72 *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations based on observable inputs or value drivers.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

There were no transfers of assets or liabilities amount the three levels of the fair value hierarchy for the year ended June 30, 2016.

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

Description	Carrying Values	Quotes prices in active markets for identical assets (Level 1)
Mutual funds	<u>\$ 6,098,971</u>	<u>\$ 6,098,971</u>

The City's investment in the Local Government Investment Pool (a 2a7-like external investment pool) are measured at amortized cost, which is generally equivalent to fair value.

5. Receivables

A. The City's receivables at June 30, 2016 are shown below:

	Governmental Activities / Funds				Business-type Activities / Proprietary Funds			
	General	Street	Total Nonmajor	Totals	Water	Wastewater	Total Nonmajor	Totals
User charges	\$ -	\$ -	\$ -	\$ -	\$ 127,693	\$ 261,196	\$ 25,317	\$ 414,206
Property taxes	89,749		16,052	105,801	-	-	-	-
Accounts	98,801	48,687	19,662	167,150	-	-	-	-
	<u>\$ 188,550</u>	<u>\$ 48,687</u>	<u>\$ 35,714</u>	<u>\$ 272,951</u>	<u>\$ 127,693</u>	<u>\$ 261,196</u>	<u>\$ 25,317</u>	<u>\$ 414,206</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Receivables (continued)

B. Property taxes receivable

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Marion County bills and collects property taxes for the City.

ii. Ensuing year's levy

The City's permanent tax rate is \$3.328 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

A local option operating tax levy of \$0.6 per \$1,000 of assessed value, approved by voters, will also be levied.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect these levies.

6. Capital assets

A. Capital asset activity for governmental activities for the year ended June 30, 2016 was as follows:

	Balances July 1, 2015	Additions	Deletions	Balances June 30, 2016
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 1,759,203	\$ -	\$ -	\$ 1,759,203
Construction in progress	51,530	-	(51,530)	-
Total capital assets not being depreciated	<u>1,810,733</u>	<u>-</u>	<u>(51,530)</u>	<u>1,759,203</u>
Capital assets being depreciated				
Infrastructure	10,787,440	161,429	-	10,948,869
Buildings and Improvements	6,564,153	835,197	-	7,399,350
Equipment and vehicles	<u>1,305,164</u>	<u>120,190</u>	<u>-</u>	<u>1,425,354</u>
Total capital assets being depreciated	<u>18,656,757</u>	<u>1,116,816</u>	<u>-</u>	<u>19,773,573</u>
Less accumulated depreciation for:				
Infrastructure	7,258,054	85,087	-	7,343,141
Buildings and improvements	3,953,998	197,548	-	4,151,546
Equipment and vehicles	<u>747,697</u>	<u>54,215</u>	<u>-</u>	<u>801,912</u>
Total accumulated depreciation	<u>11,959,749</u>	<u>336,850</u>	<u>-</u>	<u>12,296,599</u>
Total capital assets being depreciated, net	<u>6,697,008</u>	<u>779,966</u>	<u>-</u>	<u>7,476,974</u>
Governmental activities capital assets, net	<u>\$ 8,507,741</u>	<u>\$ 779,966</u>	<u>\$ (51,530)</u>	<u>\$ 9,236,177</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Capital assets (continued)

B. Capital asset activity for business-type activities for the year ended June 30, 2016 was as follows:

	Balances <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2016</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated				
Land	\$ 247,157	\$ 36,000	\$ -	\$ 283,157
Capital assets being depreciated				
Infrastructure	31,902,553	736,864	-	32,639,417
Buildings and improvements	6,465,746	-	-	6,465,746
Equipment and vehicles	<u>1,888,370</u>	<u>-</u>	<u>-</u>	<u>1,888,370</u>
Total capital assets being depreciated	<u>40,256,669</u>	<u>736,864</u>	<u>-</u>	<u>40,993,533</u>
Less accumulated depreciation for:				
Infrastructure	16,471,324	678,665	-	17,149,989
Buildings and improvements	1,744,386	126,075	-	1,870,461
Equipment and vehicles	<u>994,916</u>	<u>101,006</u>	<u>-</u>	<u>1,095,922</u>
Total accumulated depreciation	<u>19,210,626</u>	<u>905,746</u>	<u>-</u>	<u>20,116,372</u>
Total capital assets being depreciated, net	<u>21,046,043</u>	<u>(168,882)</u>	<u>-</u>	<u>20,877,161</u>
Business-type activities capital assets, net	<u>\$ 21,293,200</u>	<u>\$ (132,882)</u>	<u>\$ -</u>	<u>\$ 21,160,318</u>

C. Depreciation expense was charged to functions/programs of the City as follows:

<i>Governmental activities</i>	
General government	\$ 26,286
Public safety	17,988
Highways and streets	114,240
Culture and recreation	<u>178,336</u>
Total depreciation expense - governmental activities	<u>\$ 336,850</u>
<i>Business-type activities</i>	
Water	\$ 359,588
Sewer	<u>546,158</u>
Total depreciation expense - business-type activities	<u>\$ 905,746</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Unavailable revenue

	Governmental Funds		
	Total		
	General	Nonmajor	Totals
Property taxes	\$ 67,860	\$ 15,082	\$ 82,942

8. Interfund transactions

The interfund transfers during the year ended June 30, 2016 were as follows:

	In	Out
<u>Governmental</u>		
General	\$ 357,595	\$ 200,000
Street	-	125,312
Nonmajor governmental	842,662	2,520
<u>Proprietary</u>		
Enterprise		
Water	-	408,564
Sewer	-	385,171
Nonmajor enterprise	230,000	308,690
Nonmajor enterprise - non-cash	36,000	36,000
Totals	\$ 1,466,257	\$ 1,466,257

As part of the budget, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

Non-cash transfers occur when a fund 1) acquires capital assets which will be used in the operation of a different fund's activities, 2) issues long-term obligations which will be repaid out of a different fund's resources or 3) pays principal on long-term obligations reported in a different fund.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2016 were as follows:

	Outstanding			Balances	
	July 1, 2015	Additions	Reductions	Outstanding June 30, 2016	Due Within One Year
<u>Governmental activities</u>					
Other long-term obligations					
Compensated absences	\$ 128,501	\$ 147,928	\$ 128,501	\$ 147,928	\$ 147,928
Net pension liability	-	1,025,881	-	1,025,881	-
Total long-term obligations	<u>\$ 128,501</u>	<u>\$ 1,173,809</u>	<u>\$ 128,501</u>	<u>\$ 1,173,809</u>	<u>\$ 147,928</u>
<u>Business-type activities</u>					
Long-term debt obligations					
Bonded debt					
2013 Full Faith and Credit Refunding	\$ 4,915,000	\$ -	\$ 330,000	\$ 4,585,000	\$ 335,000
2016 Full Faith and Credit Refunding	-	3,945,000	-	3,945,000	180,000
USDA Sewer Revenue Bonds	8,079,275	-	123,267	7,956,008	126,657
Premium	337,612	546,212	25,970	857,854	62,384
Loans					
Business Oregon Water State Revolving Loan	4,570,122	-	4,570,122	-	-
Total long-term debt obligations	17,902,009	4,491,212	5,049,359	17,343,862	704,041
Other long-term obligations					
Compensated absences	23,933	33,246	23,933	33,246	33,246
Net pension liability	-	195,753	-	195,753	-
Net other post employment benefit obligation	7,332	-	6,993	339	-
Total long-term obligations	<u>\$ 17,933,274</u>	<u>\$ 4,720,211</u>	<u>\$ 5,080,285</u>	<u>\$ 17,573,200</u>	<u>\$ 737,287</u>

B. Business-type activities long-term debt obligations

2013 Full Faith and Credit Refunding – The City issued bonds in the amount of \$5,810,000 to refund previously issued long-term obligations. Interest on outstanding bonds varies between 2 and 4 percent as the loan is paid off.

2016 Full Faith and Credit Refunding – The City issued bonds in the amount of \$3,945,000 to refund previously issued long-term obligations. Interest on outstanding bonds varies between 1.15 and 4 percent based on loan balance. See footnote 8D for additional information on the refunding.

USDA Sewer Revenue Bonds – The City issued bonds in the amount of \$8,316,000 to finance sewer improvements. Annual payments of 345,447 include interest at 2.75 percent.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term obligations (continued)

C. The future maturities of business-type activities long-term obligations are as follows:

Fiscal Year	2013 Full Faith and Credit Refunding		2016 Full Faith and Credit Refunding		USDA Sewer Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 335,000	\$ 145,150	\$ 180,000	\$ 151,655	\$ 126,657	\$ 218,790	\$ 641,657	\$ 515,595
2018	345,000	135,100	200,000	130,822	130,140	215,307	675,140	481,229
2019	355,000	124,750	205,000	124,747	133,719	211,728	693,719	461,225
2020	365,000	114,100	210,000	118,523	137,396	208,051	712,396	440,674
2021	375,000	103,150	215,000	114,136	141,174	204,273	731,174	421,559
2022-26	2,055,000	305,800	1,185,000	467,350	766,286	960,949	4,006,286	1,734,099
2027-31	755,000	31,950	1,435,000	211,100	877,606	849,629	3,067,606	1,092,679
2032-36	-	-	315,000	6,300	1,005,100	722,135	1,320,100	728,435
2037-41	-	-	-	-	1,151,113	576,122	1,151,113	576,122
2042-46	-	-	-	-	1,318,339	408,896	1,318,339	408,896
2047-51	-	-	-	-	1,509,860	217,375	1,509,860	217,375
2052-56	-	-	-	-	658,618	32,276	658,618	32,276
	<u>\$ 4,585,000</u>	<u>\$ 960,000</u>	<u>\$ 3,945,000</u>	<u>\$ 1,324,633</u>	<u>\$ 7,956,008</u>	<u>\$ 4,825,531</u>	<u>\$ 11,848,078</u>	<u>\$ 5,875,495</u>

D. Advance refunding

On April 5, 2016, the City issued \$3,945,000 of full faith and credit bonds to advance refund \$4,424,432 of the Business Oregon Water State Revolving Loan. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Loan. On June 1, 2016, the loan was called and paid in full.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$57,737. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the straight-line method. The government completed the advance refunding to reduce its total debt service payments over the next 15 years by \$482,144 and to obtain an economic gain of \$425,591.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans

The City participates in OPERS, a cost-sharing multiple-employer plan, that covers all police employees and a single-employer defined benefit plan that covers all other eligible employees. Below are details related to each plan.

Oregon Public Employees Retirement System (OPERS)

A. Plan description

Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan.

OPERS produces an independently audited Comprehensive Annual Financial Report which can be found at: www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

B. Description of benefit terms

Plan benefits

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

- 1. Tier One/Tier Two Retirement Benefit (Chapter 238).** Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

B. Description of benefit terms (continued)

Plan benefits (continued)

1. Tier One/Tier Two Retirement Benefit (Chapter 238) (continued)

Death benefits

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

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

Disability benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit changes after retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cost-of-living increase for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the *Moro Decision* (*Everice Moro et al v. State of Oregon et al*), the cap on the cost-of-living increases are 2.0 percent for fiscal years 2016 and beyond.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

B. Description of benefit terms (continued)

Plan benefits (continued)

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

Pension benefits.

The OPSRP pension program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and 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 OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 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 credits 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

C. Contributions

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.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015.

Tier 1/tier 2 employer contribution rates are 18.45 percent and the OPSRP employer contribution rates are 10.07 percent for general service employees and 14.18 percent for public safety employees. Employer contributions for the year ended June 30, 2016 were \$148,813, excluding amounts to fund employer specific liabilities.

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the City reported a liability of \$789,140 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the 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 contributions of all participating employers, actuarially determined.

Employers' long-term contribution efforts are based on projected rates that have two major components:

1. **Normal Cost Rate:** The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.
3. UAL Rate: The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation.

The projected long-term contribution effort is the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2015, the City's proportion was .01374458 percent, which is an increase of .00018725 percent from its proportion measured as of June 30, 2014.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the year ended June 30, 2016, the City recognized pension expense of \$624,212. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 42,554	\$ --
Net difference between projected and actual earnings on pension plan investments	--	165,422
Changes in proportion share	3,215	--
Difference between City's contributions and proportionate share of contributions	--	8,384
City's contributions subsequent to the measurement date	<u>148,813</u>	<u>--</u>
	<u>\$ 194,582</u>	<u>\$ 173,806</u>

\$148,813 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ends June 30,

2017	\$ (70,510)
2018	(70,510)
2019	(70,510)
2020	79,956
2021	<u>3,538</u>
	<u>\$ (128,037)</u>

E. Actuarial valuations

The December 31, 2013 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

Actuarial cost method

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

NOTES TO BASIC FINANCIAL STATEMENTS (continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

E. Actuarial valuations (continued)

Tier One/Tier Two unfunded actuarial accrued liability amortization

The Tier 1/Tier 2 UAL amortization period is reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 20 year period from the valuation in which they are first recognized.

Retiree healthcare unfunded actuarial accrued liability amortization

The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 10 year period from the valuation in which they are first recognized.

Asset valuation method

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS.

Contribution rate stabilization method

Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collared range based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funded percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Allocation of liability for service segments

For active Tier 1/Tier 2 members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 30% (5% for police & fire) based on account balance with each employer and 70% (95% for police & fire) based on service with each employer. The entire normal cost is allocated to the current employer.

Allocation of benefits-in-force reserve

The reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

NOTES TO BASIC FINANCIAL STATEMENTS (continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

E. Actuarial valuations (continued)

Economic assumptions

Investment return	7.75% compounded annually
Pre-2014 interest crediting	8.00% compounded annually on regular account balances 8.25% compounded annually on variable account balances
Post 2013 interest crediting	7.75% compounded annually
Inflation	2.75% compounded annually
Payroll growth	3.75% compounded annually
Healthcare cost trends	Ranges from 6.1% in 2014 to 4.7% in 2083

Demographic assumptions

Mortality tables

Healthy retirees	RP 2000, Generational (Scale AA) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Static, Combined Disabled, No Collar, Sex Distinct Male 65% and Female 90% of disabled table
Non-annuitants	Ranges from 55% to 70% of healthy retired mortality tables depending upon sex and employment type

Retirement assumptions

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

Salary increase assumptions

Salary increase assumptions, in addition to general payroll growth, include merit increase, unused sick leave and vacation pay.

The December 31, 2013 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

OPSRP unfunded actuarial accrued liability amortization

The UAL as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed period 16 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

Economic assumptions

An additional amount for administrative expenses is added to the normal cost.

NOTES TO BASIC FINANCIAL STATEMENTS (continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

E. Actuarial valuations (continued)

Retirement assumptions

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

F. Actuarial methods and assumptions used in developing total pension liability

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 percent
Long-term expected rate of return	7.75 percent
Discount rate	7.75 percent
Projected Salary Increases	3.75 percent
Cost of living adjustments (COLA)	Blend of 2.00 percent COLA and graded COLA (1.25%/.015) in accordance with <i>Moro</i> decision; blend based on service
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

F. Actuarial methods and assumptions used in developing total pension liability (continued)

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 for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 the actuaries capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS audited financial statements.

The table below presents the assumptions for each of the asset classes in which the Plan was invested at the time based on the OIC's long-term target asset allocation.

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	7.20%	4.70%	4.50%	6.60%
Short-Term Bonds	8.00	3.76	3.70	3.45
Intermediate-Term Bonds	3.00	4.23	4.10	5.15
High Yield Bonds	1.80	7.21	6.66	11.10
Large Cap US Equities	11.65	8.60	7.20	17.90
Mid Cap US Equities	3.88	9.38	7.30	22.00
Small Cap US Equities	2.27	10.38	7.45	26.40
Developed Foreign Equities	14.21	8.73	6.90	20.55
Emerging Market Equities	5.49	11.51	7.40	31.70
Private Equity	20.00	11.95	8.26	30.00
Hedge Funds/Absolute Return	5.00	6.46	6.01	10.00
Real Estate (Property)	13.75	7.27	6.51	13.00
Real Estate (REITS)	2.50	8.41	6.76	19.45
Commodities	1.25	7.71	6.07	19.70
Assumed Inflation - Mean			2.75%	2.00%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 18, 2012, and the revised allocation adopted at the June 26, 2013 OIC meeting.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Oregon Public Employees Retirement System (PERS) (continued)

F. Actuarial methods and assumptions used in developing total pension liability (continued)

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is OPERS independent actuary’s opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

G. Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
City’s proportionate share of net pension liability or (asset)	\$ 1,904,559	\$ 789,140	\$ (150,866)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton

A. Plan description

All eligible non-police employees are participants in the defined benefit retirement plan of City of Stayton (the Plan), a single employer defined benefit public employment..

The Plan was established by the Stayton City Council who may amend the plan.

The City does not issue a separate financial report available to the public for this plan.

B. Plan membership

All full-time non-police employees are eligible to participate in the Plan after six months of employment.

As of July 1, 2015, plan membership consisted of 22 retirees and beneficiaries, 5 vested terminated participants, 5 nonvested terminated participants, and 21 active participants.

C. Description of benefit terms

Normal retirement

Members are able to receive benefits after attaining age 65. Retirement benefits will equal the amount developed by the benefit formula plus the amount developed by converting the accrued required, supplemental and voluntary contribution balances to an annuity, as of the date the benefit is being determined. The benefit formula amount is (i) times (ii) times (iii) below:

- i. 1.43 percent for the period commencing July 1, 1973 and thereafter (effective for employees whose severance of employment occurs after June 30, 1992).
- ii. The larger of (a) or (b)
 - a) The average of basic monthly earnings for each month in a 36 consecutive month period during the last 120 months of employment which produce the highest average rate of compensation.
 - b) The average of basic monthly earnings in effect on the July 1st of the three consecutive years during the last ten years of employment which produces the highest average rate.
- iii. The number of years and completed months of employment commencing on or after July 1, 1973.

Retirement benefits are subject to annual cost of living adjustments up to 2 percent per year.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton (continued)

C. Description of benefit terms (continued)

Early retirement

Members are able to receive early retirement benefits after attaining age 55 with reduced benefits except for members with at least 30 years of service or after age 58. Retirement benefits are reduced based upon the number of years the member still needed to work to reach normal retirement status. The benefit ranges from 64 percent to 78 percent of the benefit that would result if they were of normal retirement age.

Late retirement

Members that continue working beyond the normal retirement age receive increases to their retirement benefits equal to the larger of the amount developed by the benefit formula as of the Late Retirement Date or the amount developed by the benefit formula as of the Normal Retirement Date multiplied by the appropriate percentage from the following table, based on the number of years by which the retirement is subsequent to the Normal Retirement Date.

<u>Number of Years</u>	<u>Percentage</u>
0	100%
1	107%
2	114%
3	122%
4	129%
5	136%

For each additional year after 5, the percentage will be increased 3.6 percent.

Disability

Members that become totally and permanently disabled prior to the Normal Retirement Date are entitled to disability benefits. The benefit is based on the actuarial equivalent of the amount developed by the benefit formula as of the date of disability plus the amount developed by converting the accrued required, supplemental, and voluntary contribution balances to an annuity as of the date the benefit is being determined.

Severance benefit

Members are eligible for severance benefits after completion of 5 years of coverage. The benefit is the sum of the amount developed by the benefit formula as of termination plus the amount developed by converting the accrued required, supplemental, and voluntary contribution balances to an annuity as of the date of termination. Terminated employees may elect to receive their required, supplemental and voluntary contribution balances as of termination in one lump sum payment in lieu of the monthly benefit.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton (continued)

C. Description of benefit terms (continued)

Death benefits

The beneficiaries of members who have not begun to receive benefits under the plan are entitled to either a lump-sum payment of the required and supplemental contribution balance, including interest to date of death plus an amount equal to the accrued required and supplemental contribution balance, including interest, provided by the employer plus the accrued voluntary contribution balance including interest to date of death. .

D. Contributions

The City is required by the Plan's provisions to pay the employees' contribution to the Plan of six percent of covered salaries. In addition the City will contribute additional amount necessary to fund the Plan sufficient to pay benefits when due based on annual actuarial valuations. City contributions to the plan for the year ended June 30, 2016 were \$230,220.

E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the City reported a net pension liability of \$432,494. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

Total pension liability	\$ 6,582,356
Plan fiduciary net position	<u>6,149,862</u>
Net pension liability	<u>\$ 432,494</u>
Fiduciary net position as a percentage of total pension liability	93.43%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton (continued)

E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Changes in the net pension liability is as follows:

	<u>Total Pension</u> <u>Liability</u>	<u>Fiduciary Net</u> <u>Position</u>	<u>Net Pension</u> <u>Liability</u>
Beginning balances	\$ 5,814,484	\$ 5,909,978	\$ (95,494)
Changes for the year:			
Service cost	196,034		196,034
Interest on total pension liability	384,088		384,088
Effect of economic/demographic (gains) or losses	(59,144)		(59,144)
Effect of assumptions, changes or inputs	441,438		441,438
Benefit payments	(194,544)	(194,544)	-
Administrative expenses	-	(16,068)	16,068
Member contributions	-	68,901	(68,901)
Net investment income	-	183,402	(183,402)
Employer contributions	-	198,193	(198,193)
Ending balances	<u>\$ 6,582,356</u>	<u>\$ 6,149,862</u>	<u>\$ 432,494</u>

For the year ended June 30, 2016, the City recognized pension revenue of \$54,709. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ --	\$ 82,114
Changes of assumptions or inputs	359,690	--
Net difference between projected and actual earnings on pension plan investments	--	75,091
City's contributions subsequent to the measurement date	<u>230,220</u>	<u>--</u>
	<u>\$ 589,910</u>	<u>\$ 157,205</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton (continued)

E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued)

\$230,220 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,

2017	\$	25,041
2018		25,041
2019		25,043
2020		104,096
2021		23,264

F. Actuarial valuation

The City contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. Under this method, a normal cost is determined for each active member. The normal cost is the annual contribution determined as a level percentage of base salary with would be paid from year of entry to year of retirement to fund the projected retirement benefit. The normal cost for the Plan is the sum of the individuals' normal costs. The actuarial accrued liability for active plan members is an accumulated of the normal costs from entry to the valuation date. The actuarial accrued liability for inactive members is the actuarial present value of the accrued benefits. The actuarial accrued liability for the Plan is the sum of the individual actuarial accrued liabilities. The unfunded actuarial liability is the difference between the actuarial accrued liability and the actuarial value of assets, which is amortized over 20 years on a closed level dollar basis.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton (continued)

G. Actuarial methods and assumptions used in developing total pension liability

Valuation Date	June 30, 2015.
Actuarial Cost Method	Individual Entry Age Normal, Level Percentage of Pay
Amortization Method	Amortized as a level percent of payroll over a period of 22 years.
Asset Valuation Method	Market value gains and losses smoothed over five years, with result not less than 80% or greater than 120% of market value
Actuarial Assumptions:	
Inflation Rate	2 percent
Investment rate of return	6.5 percent
Projected Salary Increases	Salaries for individuals are assumed to grow at 3.5 percent per annum
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Discount rate

The discount rate used to measure the total pension liability was 6.5 percent. 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 for the Plan was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton (continued)

G. Actuarial methods and assumptions used in developing total pension liability (continued)

Depletion date projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

Based on these circumstances, it is the Plan's independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Long-term expected rate of return

The long-term expected rate of return assumption of 6.5 percent is based on a blending of the projected return on plan assets and a 20-year tax-exempt, high quality general obligation municipal bond yield or index rate.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability calculated using the discount rate of 6.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
Net pension liability	\$ 1,312,914	\$ 432,494	\$ (295,199)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plans (continued)

Retirement Plan for Employees of the City of Stayton (continued)

G. Actuarial methods and assumptions used in developing total pension liability (continued)

Changes in actuarial methods and assumptions

The previous valuation and measurement date was June 30, 2014. Changes in the actuarial methods and assumptions since that valuation are as follows:

Salary increase – The salary increase assumption was decreased from 4 percent to 3.5 percent per year.

Mortality – The mortality assumption tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2020 to Scale AA for healthy members to the mortality tables used by the Oregon Public Employees Retirement System projected generationally with Scale BB.

Amortization – The amortization period over which the unfunded actuarial accrued liability is amortized was changed from 23 years to 22 years.

Phase-in policy – The City adopted a temporary phase-in policy to smooth the change in contribution rates associated with the assumption changes over three years.

Contribution rate calculation – The contribution rate calculation was updated to reflect the delay between the valuation date and the period when those rates will be collected. Reflecting the delay minimizes gains and losses when amortization periods end.

Actuarial valuations – The City decided to change from annual actuarial valuations to biennial valuations.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined contribution plan

Individual account program (IAP)

Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

Pension benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death benefits

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

Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2016 were \$55,563.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other post-employment benefits

Plan description and benefits provided

The City provides *other post-employment benefits* (OPEB) for employees, retirees, spouses and dependents through a single employer defined benefit plan in the form of group health insurance benefits. For each eligible employee who retires or becomes disabled on or after July 1, 1994, who is receiving retirement or disability benefit from the Plan, had earned seven years of participation in the Plan at the time of retirement or disability and is age 65, the Employer shall provide a benefit. Of the monthly cost of coverage for an eligible retired employee under a health care insurance contract entered into with the Employer that provides coverage after retirement, an amount equal to the total monthly cost of that coverage or \$100, whichever is less, shall be paid from the Retirement Health insurance Account (RHIA). Payment shall begin the first of the month coinciding with, or next following, the later of age 65 or the eligible employee's date of retirement. Payments shall terminate at the earlier of the date of the eligible employee's death, election by the eligible employee to terminate coverage, or cessation of premium required payments by the eligible employee. The plan does not issue a separate stand-alone financial report. The RHIA is funded by employer contributions only.

Membership

The City's membership in the plan at July 1, 2015 (the date of the latest actuarial valuation) consisted of the following:

Active employees	21
Retirees, spouses or dependents	<u>32</u>
Total	<u><u>53</u></u>

Funding policy and contributions

The City funds the plan based on contribution rates determine by actuaries. For the year ended June 30, 2016, the contribution rate was 1.3 percent of subject salaries. Total contributions to the plan for the year ended June 30, 2016 were \$16,626.

The City has established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation. The City's annual required contribution, actual employer contribution and percentage contributed for the years ended June 30, 2016, 2015 and 2014 were as follows:

Year Ended June 30	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2016	\$ 9,187	\$ 16,626	181%
2015	9,187	9,165	100%
2014	7,618	8,190	108%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other post-employment benefits (continued)

Annual OPEB cost and net OPEB Obligation

The actuarial valuation performed as of July 1, 2015 to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual required contribution was developed using an ARC rate of 0.8 percent reported in the July 1, 2013 actuarial valuation and actual 2014-15 payroll.

The net OPEB obligation as of June 30, 2016 was calculated as follows:

Annual required contribution	\$ 9,187
Interest on prior year Net OPEB	<u>446</u>
Annual OPEB cost	9,633
Employer contributions made	<u>(16,626)</u>
Increase in net OPEB obligation	(6,993)
Net OPEB obligation at beginning of year	<u>7,332</u>
Net OPEB obligation at end of year	<u>\$ 339</u>

Three-year trend information

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, 2015 and 2014 is as follows:

Year Ending <u>June 30</u>	Annual <u>OPEB Cost</u>	Actual Employer <u>Contribution</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
2016	\$ 9,633	\$ 16,626	173%	\$ 399
2015	9,633	9,165	95%	7,322
2014	8,072	8,190	101%	6,864

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other post-employment benefits (continued)

Actuarial methods and assumptions

Actuarial valuations will be performed every two years for the City's other post-employment benefit plan. Projections of benefits for financial reporting purposes are based on the plan as understood by the City and plan members, and include the types of benefits provided at the time of the valuation and historical patterns of sharing of benefit costs between the City and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the individual entry age normal cost method was used to determine contributions levels comprised of normal cost plus a provision for administrative expenses plus the amortization payment of the unfunded actuarial accrued liability. The actuarial assumptions included a 6.5 percent investment earnings, a payroll growth of 3.5 percent per year, annual premium rate increases of 2 percent, and participation rate of 100 percent of future retirees electing coverage under the plan. The asset valuation method used in determining the actuarial value of assets is a 5-year smoothed market value method without phase-in. The unfunded actuarial liability is being amortized over a level dollar amount over a period of 22 years.

Funded status and funding progress

The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2015	\$ 70,116	\$ 221,388	\$ 151,272	31.7%	\$ 1,148,353	13.2%
7/1/2014	63,688	204,036	140,348	31.2%	1,051,497	13.3%
7/1/2013	57,436	159,018	101,582	36.1%	1,107,765	9.2%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Intergovernmental agreement

The City has an intergovernmental agreement with the City of Sublimity, to provide sewage treatment services. The Agreement has been renewed until June 30, 2016. The agreement is automatically extended from year to year on the same terms and conditions unless it is modified or terminated by mutual written agreement of the cities of Stayton and Sublimity.

The City of Sublimity pays the City of Stayton for wholesale sewer service (operations, capital replacement and administrative services) in addition to 34 percent of current and future debt service requirements.

14. Net position restricted through enabling legislation

The amount of net position restricted by enabling legislation is as follows:

Governmental activities

Capital projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	\$ 511,109
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Business-type activities

Capital projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	457,501
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15. Risk management

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16. Segment information for enterprise funds

The City has issued Full Faith and Credit Refunding bonds to finance water and sewer systems. The two systems are accounted for in four funds.

Summary financial information for the water and sewer systems for the year ended June 30, 2016 is as follows:

Condensed statement of net position	<u>Water</u>	<u>Sewer</u>
Assets		
Current	\$ 1,117,079	\$ 3,377,961
Capital	<u>7,289,793</u>	<u>13,834,525</u>
Total assets	<u>8,406,872</u>	<u>17,212,486</u>
Deferred outflows of resources	<u>180,757</u>	<u>139,739</u>
Liabilities		
Current	274,245	746,508
Noncurrent	<u>4,365,130</u>	<u>12,467,672</u>
Total liabilities	<u>4,639,375</u>	<u>13,214,180</u>
Deferred inflows of resources	<u>32,783</u>	<u>37,239</u>
Net position		
Net investment in capital assets	2,798,581	1,293,517
Restricted	239,992	195,025
Unrestricted	<u>876,898</u>	<u>2,612,264</u>
Total net position	<u>\$ 3,915,471</u>	<u>\$ 4,100,806</u>
Condensed statement of revenues, expenses and changes in fund net position		
Operating revenue	\$ 1,780,782	\$ 2,979,423
Depreciation expense	359,588	546,158
Other operating expenses	<u>844,275</u>	<u>1,477,398</u>
Operating income	576,919	955,867
Nonoperating revenues (expenses)	<u>(151,913)</u>	<u>(323,836)</u>
Income before capital contributions and transfers	425,006	632,031
Capital contributions	31,161	23,726
Transfers out	<u>(409,434)</u>	<u>(617,086)</u>
Change in net position	46,733	38,671
Net position – beginning	8,717,193	9,693,007
Prior period adjustment	<u>(4,848,455)</u>	<u>(5,630,872)</u>
Net position – ending	<u>\$ 3,915,471</u>	<u>\$ 4,100,806</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16. Segment information for enterprise funds (continued)

Condensed statement of cash flows	<u>Water</u>	<u>Sewer</u>
Net cash provided by (used in):		
Operating activities	\$ 881,531	\$ 1,478,952
Non-capital financing activities	(409,434)	(617,086)
Capital and related financing activities	(450,468)	(1,416,055)
Investing activities	<u>6,425</u>	<u>21,774</u>
Net increase (decrease) in cash	28,054	(532,415)
Cash and cash equivalents - beginning	<u>844,928</u>	<u>3,276,583</u>
Cash and cash equivalents - ending	<u><u>\$ 872,982</u></u>	<u><u>\$ 2,744,168</u></u>

17. Deficit fund balances

Deficit fund balances of \$(1,156) and \$(38,660) are reported in the Grant and Construction Funds, respectively, at year end June 30, 2016. The deficits will be eliminated with resources from future operations.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF STAYTON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, *

	2016	2015
Proportion of the collective net pension liability (asset)	0.01374458%	0.01355733%
Proportionate share of the collective net pension liability (asset)	\$ 789,140	\$ (307,306)
Covered payroll	\$ 949,451	\$ 967,205
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	83%	-32%
Pension plan's fiduciary net position as a percentage of the total pension liability	92%	104%

* Information will be accumulated annually until 10 years is presented

CITY OF STAYTON
SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, *

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 190,064	\$ 185,123
Contractually required contributions recognized by the pension plan	<u>190,064</u>	<u>185,123</u>
Difference	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 949,451</u>	<u>\$ 967,205</u>
Contractually required contributions as a percentage of covered payroll	<u>20.02%</u>	<u>19.14%</u>

* Information will be accumulated annually until 10 years is presented

CITY OF STAYTON
Schedule of Net Pension Liability and Changes in Net Pension Liability
Last 10 Plan Fiscal Years*

	<u>For the Year Ended</u> <u>June 30, 2015</u>	<u>For the Year Ended</u> <u>June 30, 2015</u>
<u>Beginning of year</u>		
Total pension liability	\$ 5,814,484	\$ 5,460,247
Fiduciary net position	<u>5,909,978</u>	<u>5,089,313</u>
Net pension liability (asset)	<u>\$ (95,494)</u>	<u>\$ 370,934</u>
<u>Changes in total pension liability</u>		
Service cost	\$ 196,034	\$ 205,098
Interest on total pension liability	384,088	362,649
Effect of economic/demographic losses	(59,144)	(48,357)
Effect of assumption changes or inputs	441,438	-
Benefit payments	<u>(194,544)</u>	<u>(165,153)</u>
Net change in total pension liability	<u>\$ 767,872</u>	<u>\$ 354,237</u>
<u>Changes in fiduciary net position</u>		
Employer contributions	\$ 198,193	\$ 203,582
Member contributions	68,901	70,200
Investment income net of expenses	183,402	729,046
Benefit payments	(194,544)	(165,153)
Administrative expenses	<u>(16,068)</u>	<u>(17,010)</u>
Net change in fiduciary net position	<u>\$ 239,884</u>	<u>\$ 820,665</u>
<u>End of year</u>		
Total pension liability	\$ 6,582,356	\$ 5,814,484
Fiduciary net position	<u>6,149,862</u>	<u>5,909,978</u>
Net pension liability	<u>\$ 432,494</u>	<u>\$ (95,494)</u>
Fiduciary net position as a percent of total pension liability	93.4%	101.6%
Covered payroll	\$ 1,148,353	\$ 1,051,497
Net pension liability as a percent of covered payroll	37.7%	-9.1%

*Information will be accumulated until 10 years are presented

CITY OF STAYTON
Schedule of Employer Contributions
Last 10 Plan Years
(Amounts in Thousands)

	June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 277	\$ 255	\$ 305	\$ 313	\$ 319	\$ 297	\$ 214	\$ 211	\$ 217	\$ 201
Actual employer contribution	267	274	306	315	314	299	214	212	218	200
Contribution deficiency (excess)	10	(19)	(1)	(2)	5	(2)	-	(1)	(1)	1
Covered payroll	1,148	1,051	1,108	1,178	1,230	1,212	1,184	1,126	1,164	1,154
Contribution as a percent of covered payroll	23.26%	26.07%	27.62%	26.74%	25.53%	24.67%	18.07%	18.83%	18.73%	17.33%
Valuation date	7/1/2013	7/1/2012	7/1/2011	7/1/2010	7/1/2009	7/1/2008	7/1/2007	7/1/2006	7/1/2005	7/1/2004
Assumed investment rate of return	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

Notes to schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Effective July 1, 2006: Individual entry age normal, level percent of pay Through July 1, 2005: Aggregate actuarial cost method
Amortization method	Effective July 1, 2015: Closed 22-year amortization, level percent of pay, with the balance being amortized each year and the amortization period reducing one year per year until it reaches 15 years. Once the amortization period reaches 15 years, new bases will be amortized over 15 years (layered amortization) Effective July 1, 2014: Closed 23-year amortization, level percent of pay Effective July 1, 2013: Closed 24-year amortization, level percent of pay Effective July 1, 2012: Closed 25-year amortization, level percent of pay Effective July 1, 2006: Open 20-year amortization, level percent of pay
Asset valuation method	Effective July 1, 2009: Market value gains and losses smoothed over five years, with result not less than 80% or greater than 120% of market value Through July 1, 2008: Market value of assets
Healthy mortality	Effective July 1, 2015: RP-2000 Sex-distinct, generational per Scale BB, blended 25% blue collar/75% white collar, set back 12 months for males and no setback for females Effective July 1, 2012: Healthy Combined RP-2000 mortality projected to 2020 Effective July 1, 2010: Healthy Combined RP-2000 mortality projected to 2010 Through July 1, 2009: Healthy Combined RP-2000 mortality
Cost of living increases	2 percent per year
Salary increases	Effective July 1, 2015: 3.5 percent per year Effective July 1, 2012: 4 percent per year Effective July 1, 2010: 4.5 percent per year Effective July 1, 2006: 5 percent per year

CITY OF STAYTON
Schedule of Investment Rate of Return
Last 10 Plan Years*

<u>Year Ended</u> <u>June 30,</u>	<u>Rate of</u> <u>Return</u>
2016	2.30%
2015	3.10%
2014	14.24%

*Information will be accumulated until 10 years are presented

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF STAYTON

**PARKS CONSTRUCTION - CAPITAL PROJECTS FUND (A MAJOR FUND)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 10,000	\$ 10,744	\$ 744
Intergovernmental	487,900	487,900	-
Miscellaneous	40,000	-	(40,000)
TOTAL REVENUES	537,900	498,644	(39,256)
EXPENDITURES			
Capital outlay	727,900	698,150	29,750
Excess (deficiency) of revenues over expenditures	(190,000)	(199,506)	(9,506)
OTHER FINANCING SOURCES (USES)			
Transfers in	30,000	-	(30,000)
Net change in fund balance	(160,000)	(199,506)	(39,506)
Fund balance at beginning of year	-	164,832	164,832
Fund balance at end of year	\$ (160,000)	\$ (34,674)	\$ 125,326

CITY OF STAYTON

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue	Capital Projects	Totals
<u>ASSETS</u>			
Cash and investments	\$ 461,884	\$ 2,071,889	\$ 2,533,773
Receivables	35,714	-	35,714
Prepaid items	20,171	-	20,171
TOTAL ASSETS	\$ 517,769	\$ 2,071,889	\$ 2,589,658
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 10,298	\$ 9,030	\$ 19,328
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	15,082	-	15,082
<u>FUND BALANCES</u>			
Nonspendable	20,171	-	20,171
Restricted for:			
Swimming pool	59,244	-	59,244
Capital projects	-	511,109	511,109
Committed for:			
Capital projects	-	1,551,750	1,551,750
Library programs	144,217	-	144,217
Public works	161,674	-	161,674
Community projects	108,239	-	108,239
Unassigned	(1,156)	-	(1,156)
TOTAL FUND BALANCES	492,389	2,062,859	2,555,248
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 517,769	\$ 2,071,889	\$ 2,589,658

CITY OF STAYTON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

	Special Revenue	Capital Projects	Totals
REVENUES			
Property taxes	\$ 316,598	\$ -	\$ 316,598
Licenses, permits and fees	7,135	-	7,135
Fines and forfeitures	8,554	-	8,554
Charges for services	84,946	-	84,946
Donations	25,239	-	25,239
System development charges	-	65,268	65,268
Intergovernmental	25,653	-	25,653
Rent	3,675	40,910	44,585
Interest	1,837	12,451	14,288
Miscellaneous	160,858	-	160,858
 TOTAL REVENUES	 634,495	 118,629	 753,124
 EXPENDITURES			
Current			
General government	102,804	58,090	160,894
Highways and streets	389,426	-	389,426
Culture and recreation	540,858	-	540,858
Capital outlay	-	131,644	131,644
 TOTAL EXPENDITURES	 1,033,088	 189,734	 1,222,822
 Excess (deficiency) of revenues over expenditures	 (398,593)	 (71,105)	 (469,698)
 OTHER FINANCING SOURCES (USES)			
Transfers in	559,890	282,772	842,662
Transfers out	-	(2,520)	(2,520)
 TOTAL OTHER FINANCING SOURCES (USES)	 559,890	 280,252	 840,142
 Net change in fund balances	 161,297	 209,147	 370,444
Fund balances at beginning of year	331,092	1,853,712	2,184,804
 Fund balances at end of year	 \$ 492,389	 \$ 2,062,859	 \$ 2,555,248

CITY OF STAYTON

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016**

	Library	Public Works Administration	Trust and Agency	Grant	Swimming Pool	Totals
<u>ASSETS</u>						
Cash and investments	\$ 125,418	\$ 163,216	\$ 114,143	\$ (1,156)	\$ 60,263	\$ 461,884
Receivables	27,359	-	-	-	8,355	35,714
Prepaid items	11,338	2,560	-	-	6,273	20,171
 TOTAL ASSETS	 \$ 164,115	 \$ 165,776	 \$ 114,143	 \$ (1,156)	 \$ 74,891	 \$ 517,769
<u>LIABILITIES</u>						
Accounts payable and accrued liabilities	\$ 1,316	\$ 1,542	\$ 5,904	\$ -	\$ 1,536	\$ 10,298
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue	7,244	-	-	-	7,838	15,082
<u>FUND BALANCES</u>						
Nonspendable	11,338	2,560	-	-	6,273	20,171
Restricted for swimming pool					59,244	59,244
Committed for:						
Library programs	144,217	-	-	-	-	144,217
Public works	-	161,674	-	-	-	161,674
Community projects	-	-	108,239	-	-	108,239
Unassigned	-	-	-	(1,156)	-	(1,156)
 TOTAL FUND BALANCES	 155,555	 164,234	 108,239	 (1,156)	 65,517	 492,389
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 164,115	 \$ 165,776	 \$ 114,143	 \$ (1,156)	 \$ 74,891	 \$ 517,769

CITY OF STAYTON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2016**

	Library	Public Works Administration	Trust and Agency	Grant	Swimming Pool	Totals
REVENUES						
Property taxes	\$ 155,729	\$ -	\$ -	\$ -	\$ 160,869	\$ 316,598
Licenses, permits and fees	7,135	-	-	-	-	7,135
Fines and forfeitures	8,554	-	-	-	-	8,554
Charges for services	84,946	-	-	-	-	84,946
Donations	25,000	-	-	239	-	25,239
Intergovernmental	1,294	-	-	24,359	-	25,653
Rent	3,675	-	-	-	-	3,675
Interest	827	528	-	-	482	1,837
Miscellaneous	-	46,590	114,135	-	133	160,858
TOTAL REVENUES	<u>287,160</u>	<u>47,118</u>	<u>114,135</u>	<u>24,598</u>	<u>161,484</u>	<u>634,495</u>
EXPENDITURES						
Current						
General government	-	-	97,937	4,867	-	102,804
Highways and streets	-	389,426	-	-	-	389,426
Culture and recreation	371,648	-	-	25,540	143,670	540,858
TOTAL EXPENDITURES	<u>371,648</u>	<u>389,426</u>	<u>97,937</u>	<u>30,407</u>	<u>143,670</u>	<u>1,033,088</u>
Excess (deficiency) of revenues over expenditures	(84,488)	(342,308)	16,198	(5,809)	17,814	(398,593)
OTHER FINANCING SOURCES (USES)						
Transfers in	119,500	425,390	-	-	15,000	559,890
Net change in fund balances	35,012	83,082	16,198	(5,809)	32,814	161,297
Fund balances at beginning of year	120,543	81,152	92,041	4,653	32,703	331,092
Fund balances at end of year	<u>\$ 155,555</u>	<u>\$ 164,234</u>	<u>\$ 108,239</u>	<u>\$ (1,156)</u>	<u>\$ 65,517</u>	<u>\$ 492,389</u>

CITY OF STAYTON

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

	Facilities Development	Street SDC	Parks SDC	Vehicle Replacement	Totals
<u>ASSETS</u>					
Cash and investments	\$ 379,767	\$ 438,476	\$ 72,633	\$ 1,181,013	\$ 2,071,889
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 9,030	\$ -	\$ -	\$ -	\$ 9,030
<u>FUND BALANCES</u>					
Restricted for capital projects	-	438,476	72,633	-	511,109
Committed for capital projects	370,737	-	-	1,181,013	1,551,750
TOTAL FUND BALANCES	370,737	438,476	72,633	1,181,013	2,062,859
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 379,767	\$ 438,476	\$ 72,633	\$ 1,181,013	\$ 2,071,889

CITY OF STAYTON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2016**

	Facilities Development	Street SDC	Parks SDC	Vehicle Replacement	Totals
REVENUES					
System development charges	\$ -	\$ 43,906	\$ 21,362	\$ -	\$ 65,268
Rent	40,910	-	-	-	40,910
Interest	2,434	2,618	474	6,925	12,451
TOTAL REVENUES	<u>43,344</u>	<u>46,524</u>	<u>21,836</u>	<u>6,925</u>	<u>118,629</u>
EXPENDITURES					
Current					
General government	58,090	-	-	-	58,090
Capital outlay	88,468	-	-	43,176	131,644
TOTAL EXPENDITURES	<u>146,558</u>	<u>-</u>	<u>-</u>	<u>43,176</u>	<u>189,734</u>
Excess (deficiency) of revenues over expenditures	<u>(103,214)</u>	<u>46,524</u>	<u>21,836</u>	<u>(36,251)</u>	<u>(71,105)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	85,509	-	-	197,263	282,772
Transfers out	-	(2,120)	(400)	-	(2,520)
TOTAL OTHER FINANCING SOURCES (USES)	<u>85,509</u>	<u>(2,120)</u>	<u>(400)</u>	<u>197,263</u>	<u>280,252</u>
Net change in fund balances	(17,705)	44,404	21,436	161,012	209,147
Fund balances at beginning of year	<u>388,442</u>	<u>394,072</u>	<u>51,197</u>	<u>1,020,001</u>	<u>1,853,712</u>
Fund balances at end of year	<u>\$ 370,737</u>	<u>\$ 438,476</u>	<u>\$ 72,633</u>	<u>\$ 1,181,013</u>	<u>\$ 2,062,859</u>

CITY OF STAYTON

**LIBRARY - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 157,262	\$ 155,729	\$ (1,533)
Licenses, permits and fees	9,000	7,135	(1,865)
Fines and forfeitures	12,000	8,554	(3,446)
Charges for services	82,647	84,946	2,299
Donations	25,200	25,000	(200)
Intergovernmental	1,351	1,294	(57)
Rent	4,000	3,675	(325)
Interest	400	827	427
Miscellaneous	500	-	(500)
TOTAL REVENUES	292,360	287,160	(5,200)
EXPENDITURES			
Personal services	315,179	258,343	56,836
Materials and services	74,971	68,252	6,719
Capital outlay	53,900	45,053	8,847
Contingency	35,310	-	35,310
TOTAL EXPENDITURES	479,360	371,648	107,712
Excess (deficiency) of revenues over expenditures	(187,000)	(84,488)	102,512
OTHER FINANCING SOURCES (USES)			
Transfers in	119,500	119,500	-
Transfers out	(2,500)	-	2,500
TOTAL OTHER FINANCING SOURCES (USES)	117,000	119,500	2,500
Net change in fund balance	(70,000)	35,012	105,012
Fund balance at beginning of year	70,000	120,543	50,543
Fund balance at end of year	\$ -	\$ 155,555	\$ 155,555

CITY OF STAYTON

**PUBLIC WORKS ADMINISTRATION - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 100	\$ 528	\$ 428
Miscellaneous	<u>1,000</u>	<u>46,590</u>	<u>45,590</u>
TOTAL REVENUES	<u>1,100</u>	<u>47,118</u>	<u>46,018</u>
EXPENDITURES			
Personal services	346,802	277,436	69,366
Materials and services	111,050	111,990	(940)
Contingency	<u>58,638</u>	<u>-</u>	<u>58,638</u>
TOTAL EXPENDITURES	<u>516,490</u>	<u>389,426</u>	<u>127,064</u>
Excess (deficiency) of revenues over expenditures	(515,390)	(342,308)	173,082
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>425,390</u>	<u>425,390</u>	<u>-</u>
Net change in fund balance	(90,000)	83,082	173,082
Fund balance at beginning of year	<u>90,000</u>	<u>81,152</u>	<u>(8,848)</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 164,234</u></u>	<u><u>\$ 164,234</u></u>

CITY OF STAYTON

**TRUST AND AGENCY - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Miscellaneous	\$ 350,000	\$ 114,135	\$ (235,865)
EXPENDITURES			
Materials and services	<u>350,000</u>	<u>97,937</u>	<u>252,063</u>
Net change in fund balance	-	16,198	16,198
Fund balance at beginning of year	<u>150,000</u>	<u>92,041</u>	<u>(57,959)</u>
Fund balance at end of year	<u>\$ 150,000</u>	<u>\$ 108,239</u>	<u>\$ (41,761)</u>

CITY OF STAYTON

**GRANT - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Donations	\$ 7,500	\$ 239	\$ (7,261)
Intergovernmental	449,000	24,359	(424,641)
TOTAL REVENUES	456,500	24,598	(431,902)
 EXPENDITURES			
Personal services	96,500	25,540	70,960
Materials and services	167,500	4,867	162,633
Capital outlay	220,000	-	220,000
TOTAL EXPENDITURES	484,000	30,407	453,593
 Excess (deficiency) of revenues over expenditures	(27,500)	(5,809)	21,691
 OTHER FINANCING SOURCES (USES)			
Transfers in	47,500	-	(47,500)
Net change in fund balance	20,000	(5,809)	(25,809)
Fund balance at beginning of year	100	4,653	4,553
 Fund balance at end of year	\$ 20,100	\$ (1,156)	\$ (21,256)

CITY OF STAYTON

**SWIMMING POOL - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 159,750	\$ 160,869	\$ 1,119
Donations	10,000	-	(10,000)
Interest	250	482	232
Miscellaneous	-	133	133
TOTAL REVENUES	170,000	161,484	(8,516)
EXPENDITURES			
Materials and services	157,928	143,670	14,258
Capital outlay	48,000	-	48,000
Contingency	14,072	-	14,072
TOTAL EXPENDITURES	220,000	143,670	76,330
Excess (deficiency) of revenues over expenditures	(50,000)	17,814	67,814
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	15,000	-
Net change in fund balance	(35,000)	32,814	67,814
Fund balance at beginning of year	35,000	32,703	(2,297)
Fund balance at end of year	\$ -	\$ 65,517	\$ 65,517

CITY OF STAYTON

**FACILITIES DEVELOPMENT - CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Rent	\$ 38,424	\$ 40,910	\$ 2,486
Interest	2,400	2,434	34
Miscellaneous	22,136	-	(22,136)
TOTAL REVENUES	62,960	43,344	(19,616)
EXPENDITURES			
Materials and services	60,000	58,090	1,910
Capital outlay	350,000	88,468	261,532
Contingency	65,000	-	65,000
TOTAL EXPENDITURES	475,000	146,558	328,442
Excess (deficiency) of revenues over expenditures	(412,040)	(103,214)	308,826
OTHER FINANCING SOURCES (USES)			
Transfers in	85,509	85,509	-
Net change in fund balance	(326,531)	(17,705)	308,826
Fund balance at beginning of year	350,000	388,442	38,442
Fund balance at end of year	\$ 23,469	\$ 370,737	\$ 347,268

CITY OF STAYTON

**STREET SDC - CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 83,000	\$ 43,906	\$ (39,094)
Interest	1,200	2,618	1,418
TOTAL REVENUES	84,200	46,524	(37,676)
EXPENDITURES			
Materials and services	153,500	-	153,500
Capital outlay	250,000	-	250,000
TOTAL EXPENDITURES	403,500	-	403,500
Excess (deficiency) of revenues over expenditures	(319,300)	46,524	365,824
OTHER FINANCING SOURCES (USES)			
Transfers out	(2,120)	(2,120)	-
Net change in fund balance	(321,420)	44,404	365,824
Fund balance at beginning of year	389,000	394,072	5,072
Fund balance at end of year	\$ 67,580	\$ 438,476	\$ 370,896

CITY OF STAYTON

**PARKS SDC - CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 23,050	\$ 21,362	\$ (1,688)
Interest	120	474	354
TOTAL REVENUES	23,170	21,836	(1,334)
EXPENDITURES			
Materials and services	3,500	-	3,500
Capital outlay	25,000	-	25,000
TOTAL EXPENDITURES	28,500	-	28,500
Excess (deficiency) of revenues over expenditures	(5,330)	21,836	27,166
OTHER FINANCING SOURCES (USES)			
Transfers out	(30,400)	(400)	30,000
Net change in fund balance	(35,730)	21,436	57,166
Fund balance at beginning of year	45,000	51,197	6,197
Fund balance at end of year	\$ 9,270	\$ 72,633	\$ 63,363

CITY OF STAYTON

**VEHICLE REPLACEMENT - CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 5,000	\$ 6,925	\$ 1,925
EXPENDITURES			
Capital outlay	260,000	43,176	216,824
Contingency	750,000	-	750,000
TOTAL EXPENDITURES	1,010,000	43,176	966,824
Excess (deficiency) of revenues over expenditures	(1,005,000)	(36,251)	968,749
OTHER FINANCING SOURCES (USES)			
Transfers in	197,263	197,263	-
Net change in fund balance	(807,737)	161,012	968,749
Fund balance at beginning of year	1,048,000	1,020,001	(27,999)
Fund balance at end of year	\$ 240,263	\$ 1,181,013	\$ 940,750

CITY OF STAYTON

**WATER - ENTERPRISE FUND (MAJOR FUND)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 1,784,000	\$ 1,783,678	\$ (322)
Interest	4,000	4,995	995
Miscellaneous	1,000	999	(1)
TOTAL REVENUES	1,789,000	1,789,672	672
EXPENDITURES			
Personal services	463,037	426,287	36,750
Materials and services	534,253	497,369	36,884
Capital outlay	345,000	123,816	221,184
Debt service	358,811	358,811	-
Contingency	190,335	-	190,335
TOTAL EXPENDITURES	1,891,436	1,406,283	485,153
Excess (deficiency) of revenues over expenditures	(102,436)	383,389	485,825
OTHER FINANCING SOURCES (USES)			
Issuance of long-term obligations	-	3,945,000	3,945,000
Payment to bond refunding agent	-	(4,424,432)	(4,424,432)
Premium on refunding bonds	-	546,212	546,212
Transfers out	(408,564)	(408,564)	-
TOTAL OTHER FINANCING SOURCES (USES)	(408,564)	(341,784)	66,780
Net change in fund balance	(511,000)	41,605	552,605
Fund balance at beginning of year	700,000	701,868	1,868
Prior period adjustment	-	40,272	40,272
Fund balance at end of year	\$ 189,000	783,745	\$ 594,745

Reconciliation to generally accepted accounting principles

Inventory	76,635
Capital asset, net	7,289,793
Deferred outflows of resources	180,757
Accrued interest payable	(26,998)
Compensated absences payable	(14,126)
Net other post-employment benefits	(140)
Net pension liability	(90,192)
Long-term obligations	(4,491,212)
Deferred inflows of resources	(32,783)
Net position - ending	\$ 3,675,479

CITY OF STAYTON

**SEWER - ENTERPRISE FUND (MAJOR FUND)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 2,997,498	\$ 2,982,959	\$ (14,539)
Interest	12,500	19,967	7,467
Miscellaneous	12,500	441	(12,059)
TOTAL REVENUES	<u>3,022,498</u>	<u>3,003,367</u>	<u>(19,131)</u>
EXPENDITURES			
Personal services	678,121	605,655	72,466
Materials and services	1,034,467	881,943	152,524
Capital outlay	860,000	612,948	247,052
Debt service	827,197	827,174	23
Contingency	1,316,095	-	1,316,095
TOTAL EXPENDITURES	<u>4,715,880</u>	<u>2,927,720</u>	<u>1,788,160</u>
Excess (deficiency) of revenues over expenditures	(1,693,382)	75,647	1,769,029
OTHER FINANCING SOURCES (USES)			
Transfers out	(385,171)	(385,171)	-
Net change in fund balance	(2,078,553)	(309,524)	1,769,029
Fund balance at beginning of year	2,650,000	3,086,258	436,258
Prior period adjustment	-	36,407	36,407
Fund balance at end of year	<u>\$ 571,447</u>	2,813,141	<u>\$ 2,241,694</u>

Reconciliation to generally accepted accounting principles

Inventory	319,675
Capital asset, net	13,834,525
Deferred outflows of resources	139,739
Accrued interest payable	(189,641)
Compensated absences payable	(19,120)
Net other post-employment benefits	(199)
Net pension liability	(102,450)
Long-term obligations	(12,852,650)
Deferred inflows of resources	<u>(37,239)</u>
Net position - ending	<u>\$ 3,905,781</u>

CITY OF STAYTON

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2016**

	Sublimity RECD	Water SDC	Sewer SDC
<u>ASSETS</u>			
Current assets			
Cash and investments	\$ 96,494	\$ 239,992	\$ 195,025
Receivables	-	-	-
Prepaid items	-	-	-
	96,494	239,992	195,025
Total current assets			
Capital assets			
Land	-	-	-
	-	-	-
TOTAL ASSETS	96,494	239,992	195,025
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	-	-	-
	-	-	-
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued liabilities	-	-	-
Long-term obligations due in more than one year	-	-	-
	-	-	-
TOTAL LIABILITIES	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	-	-	-
	-	-	-
<u>NET POSITION</u>			
Net investment in capital assets	-	-	-
Restricted for capital projects	-	239,992	195,025
Unrestricted	96,494	-	-
	96,494	-	-
TOTAL NET POSITION	\$ 96,494	\$ 239,992	\$ 195,025

Stormwater	Stormwater SDC	Construction	Totals
\$ 85,624	\$ 22,484	\$ (38,660)	\$ 600,959
25,317	-	-	25,317
<u>11,904</u>	<u>-</u>	<u>-</u>	<u>11,904</u>
122,845	22,484	(38,660)	638,180
<u>36,000</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
<u>158,845</u>	<u>22,484</u>	<u>(38,660)</u>	<u>674,180</u>
<u>4,243</u>	<u>-</u>	<u>-</u>	<u>4,243</u>
17,005	-	-	17,005
<u>3,111</u>	<u>-</u>	<u>-</u>	<u>3,111</u>
<u>20,116</u>	<u>-</u>	<u>-</u>	<u>20,116</u>
<u>1,131</u>	<u>-</u>	<u>-</u>	<u>1,131</u>
36,000	-	-	36,000
-	22,484	-	457,501
<u>105,841</u>	<u>-</u>	<u>(38,660)</u>	<u>163,675</u>
<u>\$ 141,841</u>	<u>\$ 22,484</u>	<u>\$ (38,660)</u>	<u>\$ 657,176</u>

CITY OF STAYTON

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2016**

	Sublimity RECD	Water SDC	Sewer SDC
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Personal services	-	-	-
Materials and services	-	-	-
Total operating expenses	-	-	-
Operating (loss)	-	-	-
NONOPERATING REVENUES (EXPENSES)			
Interest	617	1,430	1,807
Miscellaneous	-	-	-
Total nonoperating revenues (expenses)	617	1,430	1,807
Income (loss) before capital contributions and transfers	617	1,430	1,807
Capital contributions	-	31,161	23,726
Transfers in	-	-	-
Transfers out	-	(870)	(231,915)
Change in net position	617	31,721	(206,382)
Total net position at beginning of year	95,877	208,271	401,407
Prior period adjustment	-	-	-
Total net position at end of year	<u>\$ 96,494</u>	<u>\$ 239,992</u>	<u>\$ 195,025</u>

Stormwater	Stormwater SDC	Construction	Totals
\$ 244,613	\$ -	\$ -	\$ 244,613
30,322	-	-	30,322
401,157	-	2,660	403,817
431,479	-	2,660	434,139
(186,866)	-	(2,660)	(189,526)
713	62	-	4,629
70,000	-	-	70,000
70,713	62	-	74,629
(116,153)	62	(2,660)	(114,897)
-	18,788	-	73,675
266,000	-	-	266,000
(75,905)	-	(36,000)	(344,690)
73,942	18,850	(38,660)	(119,912)
68,634	3,634	-	777,823
(735)	-	-	(735)
<u>\$ 141,841</u>	<u>\$ 22,484</u>	<u>\$ (38,660)</u>	<u>\$ 657,176</u>

CITY OF STAYTON
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2016

	Sublimity RECD	Water SDC	Sewer SDC
CASH FLOWS FROM OPERATING ACTIVITES			
Receipts from customers	\$ -	\$ -	\$ -
Payments to suppliers	-	-	-
Payments to employees	-	-	-
	<hr/>	<hr/>	<hr/>
NET CASH (USED IN) OPERATING ACTIVITIES	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	-	(870)	(231,915)
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	(870)	(231,915)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges received	-	31,161	23,726
Other	-	-	-
Acquisition of capital assets	-	-	-
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	-	31,161	23,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	617	1,430	1,807
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash	617	31,721	(206,382)
Cash - beginning of year	95,877	208,271	401,407
	<hr/>	<hr/>	<hr/>
Cash - end of year	<u>\$ 96,494</u>	<u>\$ 239,992</u>	<u>\$ 195,025</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
(Increase) in assets and deferred outflows			
Receivables, net	-	-	-
Prepaid items	-	-	-
Net pension asset	-	-	-
Pension related items	-	-	-
Increase (decrease) in liabilities and deferred inflows			
Accounts payable and accrued liabilities	-	-	-
Net pension liability	-	-	-
Pension related items	-	-	-
	<hr/>	<hr/>	<hr/>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS			
Transfers in	\$ -	\$ -	\$ -
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total noncash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Stormwater	Stormwater SDC	Construction	Totals
\$ 220,272	\$ -	\$ -	\$ 220,272
(417,419)	-	(2,660)	(420,079)
<u>(31,058)</u>	<u>-</u>	<u>-</u>	<u>(31,058)</u>
<u>(228,205)</u>	<u>-</u>	<u>(2,660)</u>	<u>(230,865)</u>
230,000	-	-	230,000
<u>(75,905)</u>	<u>-</u>	<u>-</u>	<u>(308,690)</u>
<u>154,095</u>	<u>-</u>	<u>-</u>	<u>(78,690)</u>
-	18,788	-	73,675
70,000	-	-	70,000
<u>-</u>	<u>-</u>	<u>(36,000)</u>	<u>(36,000)</u>
<u>70,000</u>	<u>18,788</u>	<u>(36,000)</u>	<u>107,675</u>
<u>713</u>	<u>62</u>	<u>-</u>	<u>4,629</u>
(3,397)	18,850	(38,660)	(197,251)
<u>89,021</u>	<u>3,634</u>	<u>-</u>	<u>798,210</u>
<u>\$ 85,624</u>	<u>\$ 22,484</u>	<u>\$ (38,660)</u>	<u>\$ 600,959</u>
\$ (186,866)	\$ -	\$ (2,660)	\$ (189,526)
(24,341)	-	-	(24,341)
(11,904)	-	-	(11,904)
1,289	-	-	1,289
(1,445)	-	-	(1,445)
(4,358)	-	-	(4,358)
3,111	-	-	3,111
<u>(3,691)</u>	<u>-</u>	<u>-</u>	<u>(3,691)</u>
<u>\$ (228,205)</u>	<u>\$ -</u>	<u>\$ (2,660)</u>	<u>\$ (230,865)</u>
\$ 36,000	\$ -	\$ -	\$ 36,000
<u>-</u>	<u>-</u>	<u>(36,000)</u>	<u>(36,000)</u>
<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ (36,000)</u>	<u>\$ -</u>

CITY OF STAYTON

**SUBLIMITY RECD - ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	<u>\$ 500</u>	<u>\$ 617</u>	<u>\$ 117</u>
Net change in fund balance	500	617	117
Fund balance at beginning of year	<u>96,000</u>	<u>95,877</u>	<u>(123)</u>
Fund balance at end of year	<u>\$ 96,500</u>	<u>\$ 96,494</u>	<u>\$ (6)</u>

CITY OF STAYTON

**WATER SDC - ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 21,360	\$ 31,161	\$ 9,801
Interest	700	1,430	730
TOTAL REVENUES	22,060	32,591	10,531
EXPENDITURES			
Materials and services	107,000	-	107,000
Capital outlay	100,000	-	100,000
TOTAL EXPENDITURES	207,000	-	207,000
Excess (deficiency) of revenues over expenditures	(184,940)	32,591	217,531
OTHER FINANCING SOURCES (USES)			
Transfers out	(870)	(870)	-
Net change in fund balance	(185,810)	31,721	217,531
Fund balance at beginning of year	200,680	208,271	7,591
Fund balance at end of year	\$ 14,870	\$ 239,992	\$ 225,122

CITY OF STAYTON

**SEWER SDC - ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 42,336	\$ 23,726	\$ (18,610)
Interest	1,500	1,807	307
TOTAL REVENUES	43,836	25,533	(18,303)
EXPENDITURES			
Materials and services	105,000	-	105,000
Capital outlay	100,000	-	100,000
TOTAL EXPENDITURES	205,000	-	205,000
Excess (deficiency) of revenues over expenditures	(161,164)	25,533	186,697
OTHER FINANCING SOURCES (USES)			
Transfers out	(231,915)	(231,915)	-
Net change in fund balance	(393,079)	(206,382)	186,697
Fund balance at beginning of year	396,000	401,407	5,407
Fund balance at end of year	\$ 2,921	\$ 195,025	\$ 192,104

CITY OF STAYTON

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

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 260,000	\$ 244,613	\$ (15,387)
Interest	200	713	513
Miscellaneous	-	70,000	70,000
TOTAL REVENUES	260,200	315,326	55,126
EXPENDITURES			
Personal services	38,374	31,058	7,316
Materials and services	82,925	171,157	(88,232)
Capital outlay	250,000	230,000	20,000
Contingency	98,086	-	98,086
TOTAL EXPENDITURES	469,385	432,215	37,170
Excess (deficiency) of revenues over expenditures	(209,185)	(116,889)	92,296
OTHER FINANCING SOURCES (USES)			
Transfers in	230,000	230,000	-
Transfers out	(75,905)	(75,905)	-
TOTAL OTHER FINANCING SOURCES (USES)	154,095	154,095	-
Net change in fund balance	(55,090)	37,206	92,296
Fund balance at beginning of year	95,000	68,634	(26,366)
Fund balance at end of year	\$ 39,910	105,840	\$ 65,930

Reconciliation to generally accepted accounting principles

Capital asset, net	36,000
Deferred outflows of resources	4,243
Net pension liability	(3,111)
Deferred inflows of resources	(1,131)
Net position - ending	\$ 141,841

CITY OF STAYTON

**STORMWATER SDC - ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 24,000	\$ 18,788	\$ (5,212)
Interest	<u>-</u>	<u>62</u>	<u>62</u>
 TOTAL REVENUES	 <u>24,000</u>	 <u>18,850</u>	 <u>(5,150)</u>
 Net change in fund balance	 24,000	 18,850	 (5,150)
Fund balance at beginning of year	<u>-</u>	<u>3,634</u>	<u>3,634</u>
 Fund balance at end of year	 <u>\$ 24,000</u>	 <u>\$ 22,484</u>	 <u>\$ (1,516)</u>

CITY OF STAYTON

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 1,544,000	\$ -	\$ (1,544,000)
EXPENDITURES			
Materials and services	200,000	2,660	197,340
Capital outlay	<u>1,300,000</u>	<u>36,000</u>	<u>1,264,000</u>
TOTAL EXPENDITURES	<u>1,544,000</u>	<u>38,660</u>	<u>1,505,340</u>
Net change in fund balance	-	(38,660)	(38,660)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ (38,660)</u>	<u>\$ (38,660)</u>

CITY OF STAYTON
COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
June 30, 2016

	Retirement Plan for Employees of the City of Stayton	Retirement Health Insurance Account	Totals
<u>ASSETS</u>			
Cash	\$ 245,687	\$ 3,147	\$ 248,834
Investments, at fair value			
Mutual funds	6,021,830	77,141	6,098,971
TOTAL ASSETS	6,267,517	80,288	6,347,805
<u>NET POSITION</u>			
Net position held in trust for:			
Pension benefits	6,267,517	-	6,267,517
Other post-employment benefits	-	80,288	80,288
TOTAL NET POSITION	\$ 6,267,517	\$ 80,288	\$ 6,347,805

CITY OF STAYTON

**COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS**

For the Year Ended June 30, 2016

	Retirement Plan for Employees of the City of Stayton	Retirement Health Insurance Account	Totals
ADDITIONS			
Employer contributions	\$ 290,125	\$ 16,626	\$ 306,751
Investment earnings	<u>106,822</u>	<u>1,305</u>	<u>108,127</u>
Total additions	<u>396,947</u>	<u>17,931</u>	<u>414,878</u>
DEDUCTIONS			
Benefits	228,932	8,400	237,332
Administrative expenses	<u>50,360</u>	<u>584</u>	<u>50,944</u>
Total deductions	<u>279,292</u>	<u>8,984</u>	<u>288,276</u>
Change in net position	117,655	8,947	126,602
Net position - beginning of year	<u>6,149,862</u>	<u>71,341</u>	<u>6,221,203</u>
Net position - end of year	<u><u>\$ 6,267,517</u></u>	<u><u>\$ 80,288</u></u>	<u><u>\$ 6,347,805</u></u>

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

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
CITY OF STAYTON
Stayton, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the CITY OF STAYTON as of and for the year ended June 30, 2016, and have issued our report thereon dated March 21, 2017.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

**INDEPENDENT AUDITOR’S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

Expenditures in excess of appropriations (which is prohibited by ORS 294.435) occurred as follows:

<u>Fund/Department</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
Public Works Administration			
Materials and services	\$ 111,050	\$ 111,990	\$ (940)
Stormwater			
Materials and services	82,925	171,157	(88,232)

OAR 162-10-0230 Internal Control

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

Restriction on Use

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the CITY OF STAYTON and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith
 Certified Public Accountants
 Salem, Oregon
 March 21, 2017

By:



Bradley G. Bingenheimer, Member

GRANT COMPLIANCE – YELLOW BOOK

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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*

To the City Council
CITY OF STAYTON
Stayton, Oregon

We 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 Stayton, 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 our report thereon dated March 21, 2017.

Internal Control over Financial Reporting

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

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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

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* (Continued)

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
March 21, 2017

CITY OF STAYTON

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

2016-001 Segregation of duties

Criteria: Proper segregation of duties is needed to safeguard the City's assets and to ensure proper accounting of all transactions.

Condition: A single individual was responsible for substantially all general ledger accounting during the year.

Cause: Internal controls were not properly designed to allow for proper segregation of duties.

Effect: A material misstatement could occur, due to error or fraud, and not be prevented or detected.

Response: Subsequent to year end, the City redesigned its internal controls to allow for proper segregation of duties.