



STAYTON, OREGON

Audit Report

June 30, 2014

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

CITY OF STAYTON

362 N. Third Avenue
Stayton, Oregon 97383
(503) 769-3425

CITY OFFICIALS

A. SCOTT VIGIL	Mayor
160 N. Evergreen, Stayton, OR 97383	
HENRY PORTER	Council President
985 N. Fourth Ave, Stayton, OR 97383	
JENNIFER NIEGEL	Council Member
PO Box 248, Stayton, OR 97383	
BRIAN QUIGLEY	Council Member
1013 E. Virginia St., Stayton, OR 97383	
EMILY GOOCH	Council Member
1840 E. Pine Street, Stayton, OR 97383	
CATHERINE HEMSHORN	Council Member
1457 5 th Court, Stayton, OR 97383	

CITY ADMINISTRATION

KEITH CAMPBELL	City Administrator
362 N. 3 rd Avenue, Stayton, OR 97383	
CHRISTINE SHAFFER	Finance Director
360 N. 3 rd Avenue, Stayton, OR 97383	

CITY OF STAYTON

AUDIT REPORT

JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Stayton, Oregon

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stayton as of and for the year ended June 30, 2014 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 standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Stayton as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 8, 36 through 39 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. I have applied certain limited procedures to the management's discussion and analysis in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stayton's basic financial statements. The combining and individual non-major fund financial statements and additional supporting schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Stayton.

The combining and individual non-major fund financial statements 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other schedules listed in the table of contents as Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the City of Stayton'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 of Stayton's internal control over financial reporting and compliance.



Steve Tuchscherer, CPA
December 19, 2014

MANAGEMENT'S DISCUSSION
AND ANALYSIS

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

The management discussion and analysis of the City of Stayton, Oregon (the City) financial performance provides an overview of the City's financial activities for the fiscal year that ended June 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2014 are as follows:

- The City's net position decreased by \$9,620 which represents a .02 percent decrease from the previous year. Net position is \$37,627,081 for governmental activities and \$17,221,241 for business-type activities.
- General revenues from governmental activities accounted for \$3,736,072 in revenue, or 88.7 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$476,969 or 11.3 percent of all revenues for governmental activities. Total revenue from governmental activities is \$4,213,041.
- General revenues from business-type activities accounted for \$217,408 in revenue, or 4.3 percent of all revenues from business-type activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,802,992 or 95.7 percent of all revenues for business-type activities. Total revenue from business-type activities is \$5,020,400.
- The City had \$9,273,062 in program expenses. Of the program expenses, \$1,542,895 was for providing water service, \$2,505,943 was for providing sewer service, and \$217,386 was for operating the municipal pool.
- Among the governmental funds, the General Fund had \$3,249,744 in revenues, which primarily consisted of property taxes and franchise taxes. It also included interfund transfers in of \$347,335. General Fund expenditures totaled \$2,927,202 including \$235,000 in interfund transfers out. The General Fund's fund balance increased \$322,542 to \$1,065,126 from \$742,584.
- Among proprietary funds, the Water Fund had \$1,821,990 in revenues, which primarily consisted of user fees. The Sewer Fund had \$3,356,519 in revenues, which primarily consisted of user fees and included \$342,778 of equity transfers in. The Swimming Pool Fund had \$199,221 in revenues which primarily consisted of property taxes and user fees and included \$15,000 of interfund transfers in.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as the condition of buildings, and water and sewer systems facilities.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions of the City that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues. The governmental activities of the City include general government activities, street construction and maintenance, police services, and providing resources for library, culture and recreation. The proprietary activities of the City include water and sewer utilities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The City reports two types of funds:

Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund, the Street Fund and the Vehicle Replacement Fund. Budgetary comparison schedules for the other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are used to report the functions presented as business-type activities in the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund - enterprise funds. The City uses enterprise funds to account for water, sewer, and other operations. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, and Other Funds. Included in the Water Fund for the Proprietary Statements on pages 15, 16, and 17 are the Water SDC Fund and the Water Construction Fund. Included in the Sewer Fund are the Sewer SDC Fund, and the Sewer Construction Fund. Included in the Other Funds are the Swimming Pool Fund and the Sublimity RECD Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Notes to the Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund, the Housing Rehabilitation Fund and the Vehicle Replacement Fund. The required supplementary information immediately follows the notes to the financial statements.

Other supplementary information includes combining statements, individual fund statements and schedules, and other schedules. These statements and schedules immediately follow the required supplementary information in this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The City's net position at fiscal year-end is \$54,848,322 this is a decrease of \$9,620 or .02%.

A significant portion of the City's net position (87% percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary of the City's net position for the current and prior year.

	<u>Summary of Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current and Other Assets	\$ 3,584,698	\$ 3,212,014	\$ 4,210,355	\$ 4,427,935	\$ 7,795,053	\$ 7,639,949
Capital Assets	<u>34,322,858</u>	<u>34,887,792</u>	<u>31,892,882</u>	<u>32,015,680</u>	<u>66,215,740</u>	<u>66,903,472</u>
Total Assets	<u>37,907,556</u>	<u>38,099,806</u>	<u>36,103,237</u>	<u>36,443,615</u>	<u>74,010,793</u>	<u>74,543,421</u>
Liabilities						
Current Liabilities	280,474	205,526	1,827,864	1,273,849	2,108,338	1,479,375
Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>17,054,129</u>	<u>18,206,103</u>	<u>17,054,129</u>	<u>18,206,103</u>
Total Liabilities	<u>280,474</u>	<u>205,526</u>	<u>18,881,993</u>	<u>19,479,952</u>	<u>19,162,467</u>	<u>19,685,477</u>
Net Position						
Invested in Capital Assets						
Net of Debt	34,322,858	34,887,792	13,415,531	12,842,707	47,738,389	47,730,499
Restricted	699,149	540,867	1,156,581	969,897	1,855,730	1,510,764
Unrestricted	<u>2,605,074</u>	<u>2,465,618</u>	<u>2,649,129</u>	<u>3,151,060</u>	<u>5,254,203</u>	<u>5,616,679</u>
Total Net Position	<u>\$ 37,627,081</u>	<u>\$ 37,894,277</u>	<u>\$ 17,221,241</u>	<u>\$ 16,963,664</u>	<u>\$ 54,848,322</u>	<u>\$ 54,857,942</u>

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
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Changes in net position - The City's total revenues for the fiscal year ended June 30, 2014 were \$9,233,441. The total cost of all programs and services was \$9,273,062. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net position.

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>
Revenues						
Program Revenues						
Charges for Services	\$ 326,204	\$ 338,275	\$ 4,802,992	\$ 4,700,526	\$ 5,129,196	\$ 5,038,801
Operating Grants and Contributions	382	787	-	-	382	787
Capital Grants and Contributions	150,383	923,443	-	1,032,896	150,383	1,956,339
Total Program Revenues	476,969	1,262,505	4,802,992	5,733,422	5,279,961	6,995,927
General Revenues						
Local Sources						
Property Taxes	1,978,319	1,922,787	153,450	157,097	2,131,769	2,079,884
Franchise Fees	840,194	693,016	-	-	840,194	693,016
Other Taxes	64,383	64,113	-	-	64,383	64,113
Intergovernmental	559,983	646,661	-	-	559,983	646,661
Interest & Investment Earnings	9,321	10,951	18,428	20,955	27,749	31,906
Other Revenues	283,872	279,969	45,530	100,417	329,402	380,386
Total General Revenues	3,736,072	3,617,497	217,408	278,469	3,953,480	3,895,966
Total Revenues	4,213,041	4,880,002	5,020,400	6,011,891	9,233,441	10,891,893
Program Expenses						
General Government	1,692,704	1,585,816	-	-	1,692,704	1,585,816
Public Safety	1,839,107	1,794,137	-	-	1,839,107	1,794,137
Highways and Streets	829,769	753,066	-	-	829,769	753,066
Culture and Recreation	645,168	621,849	-	-	645,168	621,849
Utility Services						
Water Utilities	-	-	1,542,985	1,845,671	1,542,985	1,845,671
Sewer Utilities	-	-	2,505,943	2,335,934	2,505,943	2,335,934
Swimming Pool	-	-	217,386	295,713	217,386	295,713
Total Program Expenses	5,006,748	4,754,868	4,266,314	4,477,319	9,273,062	9,232,187
Transfers	839,288	774,298	(839,288)	(774,298)	-	-
Special Item - Refinancing Bond Premium	-	-	-	389,552	-	389,552
Special Item -Gain on Sale of Equipment	30,000	-	-	-	30,000	-
Change in Net Position	\$ 75,581	\$ 899,432	\$ (85,202)	\$ 1,149,826	\$ (9,621)	\$ 2,049,258

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the City. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF STAYTON
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For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>
General Government	\$ 1,692,704	\$ 1,585,816	\$ (1,676,223)	\$ (1,553,869)
Public Safety	1,839,107	1,794,137	(1,753,503)	(1,735,314)
Public Works	829,769	753,066	(691,433)	231,411
Culture and Recreation	<u>645,168</u>	<u>621,849</u>	<u>(408,620)</u>	<u>(434,591)</u>
Total Program Expenses	<u>\$ 5,006,748</u>	<u>\$ 4,754,868</u>	<u>\$ (4,529,779)</u>	<u>\$ (3,492,363)</u>

The dependence on general revenues for general government activities is apparent. For 2013-14, 90.47 percent of general government activities are supported through general revenues

Business-Type Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>
Utility Services	\$ 4,048,928	\$ 4,181,605	\$ 753,774	\$ 1,438,596
Swimming Pool	<u>217,386</u>	<u>295,713</u>	<u>(217,096)</u>	<u>(182,492)</u>
Total Program Expenses	<u>\$ 4,266,314</u>	<u>\$ 4,477,319</u>	<u>\$ 536,678</u>	<u>\$ 1,256,103</u>

Business type activities decreased the City's net position by \$85,202. Of the business-type activities, the Sewer Fund, Water Fund and Swimming Pool Fund accounted for approximately 36.2%, 58.7% and 5.1% of revenues, respectively.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$3,347,130, an increase of \$319,167. The fund balance constitutes restricted, committed, assigned and unassigned amounts. Of the current fund balances, \$699,149 is restricted, \$1,582,855 is committed and \$1,065,126 is unassigned and available for spending at the City's discretion.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$1,065,126, an increase of \$322,542 over the previous year.

The Street Fund reported a restricted ending fund balance of \$262,968, an increase of \$101,118 over the previous year.

The Vehicle Replacement Fund reported a fund balance of \$860,019, a decrease of \$121,119 from the previous year. The Vehicle Replacement fund balance is committed for vehicle replacement.

The Facilities Development Fund reported a fund balance of \$378,329, a decrease of \$115,994 from the previous year. The Facilities Development fund balance is committed for miscellaneous capital projects.

The Trust Fund reported a fund balance of \$147,808, an increase of \$29,188 over the previous year. The Trust fund balance is committed for miscellaneous community projects.

Proprietary Funds

The Water Fund reported a budgetary fund balance of \$685,803, a decrease of \$28,199 from the previous year. The Water Fund ending balance includes restricted assets of \$41,036 for customer deposits.

The Sewer Fund reported a budgetary fund balance of \$2,589,427, a decrease of \$100,492 from the previous year. The Sewer Fund ending balance includes restricted assets of \$522,379 for debt service and \$38,420 for customer deposits.

Budgetary Highlights

An appropriation transfer resolution was adopted by the City Council in June, 2014 to allow for additional materials and services spending in the Public Works Administration Fund.

General Fund resources were budgeted and anticipated to be collected in the amount of \$2,715,930 during the fiscal year. Actual resources of \$2,902,409 were available, \$186,479 more than budgeted. General Fund expenditures budget was under-spent by \$551,063. The ending fund balance was greater than what was budgeted by \$880,126 and greater than the prior year by \$322,542.

The Water Fund balance and the Sewer Fund balance increased during the fiscal year. Both funds remained within the expenditure budgets in all appropriation areas. The Water Fund's actual resources were more than budgeted by \$8,732. The Sewer Fund's actual resources were more than budgeted by \$90,678.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City had invested, before net reduction for accumulated depreciation, \$103,503,193 in capital assets, including buildings, land, construction in process, vehicles, water and sewer utility systems, and other equipment. This amount represents an increase of \$1,137,154 over the prior year. This includes additions to the water and sewer funds and governmental funds.

Total depreciation expense for the year was \$1,824,886. Additional information on the City's capital assets can be found in Note 3 of the Notes to the basic financial statements section of this report.

CITY OF STAYTON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

Long-Term Debt

At June 30, 2014 the City had total debt outstanding of \$18,206,103. Existing debt was reduced by \$668,955. Interest paid on the debt amounted to \$564,048.

Additional information on the City's long-term debt can be found in Note 5 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the City's officials during the process of developing the fiscal year 2014-2015 budget. The City considered the current economic environment, no increase in the current property tax rate, declining revenues, and expected inflationary increases in expenditures when establishing the budget. The City's total budget of \$20,521,404 for the fiscal year ending June 30, 2015 represents a 19.5% increase from the current fiscal year. The increase is primarily attributable to a \$1,544,000 increase in the Construction Fund which has been budgeted for a potential State funded public works project.

Amounts available for appropriation in the General Fund are \$3,803,350 for the fiscal year 2013-14, an increase of \$140,085 or 3.8%. The Municipal Court is a new department in the General Fund for fiscal year 2014-2015 with a budget of \$186,785 for the year.

The City is budgeting a \$306,050 or 5.9 percent increase in resources in the Sewer Fund. It includes a sewer rate increase for Stayton and Sublimity, as recommended in the adopted Wastewater master Plan. The proposed budget provides funds to maintain all pumps and motors at the treatment plant and routine maintenance of sewer collection pipes.

The Street Fund budget is increased by \$176,307 or 26.1% in order to work on long range pavement management.

With the exceptions noted above, operating costs of both governmental activities and business-type activities are expected to be similar to those of the 2013-14 period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the City of Stayton at (503) 769-3425. The office is located inside City Hall at 362 N. Third Avenue, Stayton, Oregon 97383.

BASIC FINANCIAL
STATEMENTS

Government – Wide
Financial Statements

CITY OF STAYTON

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 3,353,360	\$ 3,795,281	\$ 7,148,641
Receivables	231,338	415,074	646,412
Total Current Assets	3,584,698	4,210,355	7,795,053
Capital Assets:			
Land	1,759,203	247,157	2,006,360
Infrastructure	51,483,406	34,041,742	85,525,148
Buildings & Improvements	3,926,360	6,121,964	10,048,324
Equipment & Vehicles	1,231,164	1,713,544	2,944,708
Other Capital Assets	1,606,817	1,371,836	2,978,653
Less: Accumulated Depreciation	(25,684,092)	(11,603,361)	(37,287,453)
Total Capital Assets, Net of Depreciation	34,322,858	31,892,882	66,215,740
Total Assets	\$ 37,907,556	\$ 36,103,237	\$ 74,010,793
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 150,836	\$ 64,578	\$ 215,414
Interest Payable	-	494,857	494,857
Customer Deposits	-	79,456	79,456
Accrued Compensated Absences	119,682	27,006	146,688
OPEB Payable	9,956	9,993	19,949
Current Portion of Long-Term Liabilities:			
Bonds Payable	-	1,151,974	1,151,974
Total Current Liabilities	280,474	1,827,864	2,108,338
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Bonds Payable	-	17,054,129	17,054,129
Total Long-Term Liabilities	-	17,054,129	17,054,129
Total Liabilities	\$ 280,474	\$ 18,881,993	\$ 19,162,467
<u>NET POSITION:</u>			
Invested in capital assets, net of related debt	\$ 34,322,858	\$ 13,415,531	\$ 47,738,389
Restricted for:			
Capital Projects	-	391,847	391,847
Debt Service	-	522,379	522,379
Other Projects	699,149	242,355	941,504
Unrestricted	2,605,074	2,649,129	5,254,203
Total Net Position	\$ 37,627,081	\$ 17,221,241	\$ 54,848,322

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

CITY OF STAYTON

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	(Expenses)	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>GOVERNMENTAL ACTIVITIES:</u>					
General Government	\$ 1,692,704	\$ 16,099	\$ 382	\$ -	\$ (1,676,223)
Public Safety	1,839,107	60,522	-	25,082	(1,753,503)
Highway and Streets	829,769	48,035	-	90,301	(691,433)
Culture and Recreation	645,168	201,548	-	35,000	(408,620)
Total Governmental Activities	\$ 5,006,748	\$ 326,204	\$ 382	\$ 150,383	\$ (4,529,779)
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Utilities	\$ 1,542,985	\$ 1,808,674	\$ -	\$ -	\$ 265,689
Sewer Utilities	2,505,943	2,994,028	-	-	488,085
Swimming Pool	217,386	290	-	-	(217,096)
Total Business-type Activities	\$ 4,266,314	\$ 4,802,992	\$ -	\$ -	\$ 536,678
Total Primary Government	\$ 9,273,062	\$ 5,129,196	\$ 382	\$ 150,383	\$ (3,993,101)
<u>CHANGES IN NET POSITION:</u>					
Net (expense) revenue			\$ (4,529,779)	\$ 536,678	\$ (3,993,101)
General Revenues:					
Property Taxes, levied for general purposes			1,978,319	153,450	2,131,769
Intergovernmental Tax Turnovers			559,983	-	559,983
State Revenue Sharing			64,383	-	64,383
Franchise Taxes			840,194	-	840,194
Interest and Investment Earnings			9,321	18,428	27,749
Other Revenue			283,872	45,530	329,402
Special Item - Gain from Sale of Equipment			30,000	-	30,000
Interfund Transfers			839,288	(839,288)	-
Total General Revenues, Special Items and Transfers			4,605,360	(621,880)	3,983,480
Change in Net Position			75,581	(85,202)	(9,621)
Net Position, July 1, 2013			37,894,277	16,963,665	54,857,942
Equity Transfer In (Out)			(342,778)	342,778	-
Net Position, June 30, 2014			\$ 37,627,081	\$ 17,221,241	\$ 54,848,322

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

Governmental Fund
Financial Statements

CITY OF STAYTON

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Street Fund	Vehicle Replacement Fund	Facilities Development Fund	Trust & Agency Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>							
Cash and Investments	\$ 962,574	\$ 264,363	\$ 860,019	\$ 439,322	\$ 188,850	\$ 638,232	\$ 3,353,360
Receivables:							
Accounts	105,293	8,160	-	-	-	-	113,453
Property Tax	108,669	-	-	-	-	9,216	117,885
Total Assets	\$ 1,176,536	\$ 272,523	\$ 860,019	\$ 439,322	\$ 188,850	\$ 647,448	\$ 3,584,698
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>							
Liabilities:							
Accounts Payable	\$ 31,349	\$ 9,556	\$ -	\$ 60,993	\$ 41,042	\$ 7,896	\$ 150,836
Total Liabilities	31,349	9,556	-	60,993	41,042	7,896	150,836
Deferred Inflows of Resources:							
Deferred Property Tax Revenue	80,061	-	-	-	-	6,672	86,733
Total Deferred Inflows of Resources	80,061	-	-	-	-	6,672	86,733
Fund Balances:							
Restricted for:							
Street Projects	-	262,968	-	-	-	359,634	622,602
Miscellaneous Community Projects	-	-	-	-	-	21,306	21,306
Parks & Recreation Programs	-	-	-	-	-	55,241	55,241
Committed for:							
Vehicle Replacement	-	-	860,019	-	-	-	860,019
Library Programs	-	-	-	-	-	88,936	88,936
Public Works Programs	-	-	-	-	-	66,677	66,677
Miscellaneous Community Projects	-	-	-	-	147,808	-	147,808
Miscellaneous Capital Projects	-	-	-	378,329	-	41,086	419,415
Unassigned	1,065,126	-	-	-	-	-	1,065,126
Total Fund Balances	1,065,126	262,968	860,019	378,329	147,808	632,880	3,347,130
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 1,176,536	\$ 272,524	\$ 860,019	\$ 439,322	\$ 188,850	\$ 647,448	\$ 3,584,699

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

CITY OF STAYTON

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

June 30, 2014

Total Fund Balances - Governmental Funds \$ 3,347,130

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 governmental funds.

The cost of the assets is -	\$ 60,006,950	
The accumulated depreciation is -	<u>(25,684,092)</u>	
Net Value of Assets		34,322,858

Certain receivables that will not be available to pay for current-period expenditures are deferred in the governmental funds:

Property Taxes	86,733
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Other Post-Employment Benefits Payable	(9,956)
Accrued Compensated Absences	<u>(119,682)</u>

Net Position of Governmental Activities	<u>\$ 37,627,083</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF STAYTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014

	General Fund	Street Fund	Vehicle Replacement Fund	Facilities Development Fund	Trust & Agency Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>							
Taxes and Assessments	\$ 1,752,732	\$ 85,760	\$ -	\$ -	\$ -	\$ 159,123	\$ 1,997,615
Intergovernmental	183,614	440,752	-	-	-	-	624,366
Franchise Taxes	840,194	-	-	-	-	-	840,194
Licenses & Permits	16,099	-	-	-	-	79,105	95,204
Charges for Service	3,917	-	-	-	-	103,297	107,214
Fines and Forfeitures	58,150	-	-	-	-	16,612	74,762
Investment Revenue	24	936	3,642	2,301	-	2,418	9,321
Grants	382	90,301	-	-	-	109,106	199,789
Other Revenue	47,297	36,384	-	36,941	147,625	15,625	283,872
Total Revenues	2,902,409	654,133	3,642	39,242	147,625	485,286	4,232,337
<u>EXPENDITURES:</u>							
Current Operating:							
General Government	589,001	-	-	240,745	118,437	47,274	995,457
Public Safety	1,811,232	-	-	-	-	-	1,811,232
Highway and Streets	103,420	310,334	-	-	-	416,015	829,769
Culture and Recreation	182,594	-	-	-	-	403,914	586,508
Capital Outlay	5,955	119,744	389,162	-	-	44,631	559,492
Total Expenditures	2,692,202	430,078	389,162	240,745	118,437	911,834	4,782,458
Excess (Deficiency) of Revenues Over Expenditures	210,207	224,055	(385,520)	(201,503)	29,188	(426,548)	(550,121)
<u>OTHER FINANCING SOURCES (USES):</u>							
Proceeds from Sale of Assets	-	-	30,000	-	-	-	30,000
Interfund Transfers In	347,335	-	234,401	85,509	-	564,500	1,231,745
Interfund Transfers (Out)	(235,000)	(122,937)	-	-	-	(34,520)	(392,457)
Total Other Financing Sources/(Uses)	112,335	(122,937)	264,401	85,509	-	529,980	869,288
Net Change in Fund Balances	322,542	101,118	(121,119)	(115,994)	29,188	103,432	319,167
Fund Balances, July 1, 2013	742,584	161,850	981,138	494,323	118,620	529,448	3,027,963
Fund Balances, June 30, 2014	\$ 1,065,126	\$ 262,968	\$ 860,019	\$ 378,329	\$ 147,808	\$ 632,880	\$ 3,347,130

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

CITY OF STAYTON

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

For the Fiscal Year Ended June 30, 2014

Net Changes in Fund Balances - Total Governmental Funds \$ 319,167

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 352,862	
Less current year depreciation	<u>(917,796)</u>	
		(564,934)

Additions to certain payroll liabilities are reported as an expense in the Statement of Activities.

Vacation Payable	(830)
Other Post-Employment Benefits Payable	(1,304)

Long term debt proceeds are included as revenue in governmental funds, but the proceeds increase long-term debt balances in the Statement of Net Position

Changes in Net Position of Governmental Assets	<u>\$ (267,197)</u>
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Proprietary Fund
Financial Statements

CITY OF STAYTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Enterprise Funds			Total Proprietary Funds
	Water Utility Fund	Sewer Utility Fund	Other Funds	
<u>ASSETS:</u>				
Current Assets:				
Cash and Investments	\$ 770,519	\$ 2,803,593	\$ 221,169	\$ 3,795,281
Receivables	137,334	\$ 267,737	10,003	415,074
Total Current Assets	907,853	3,071,330	231,172	4,210,355
Capital Assets:				
Land	31,825	215,332	-	247,157
Infrastructure	12,655,661	21,386,081	-	34,041,742
Buildings & Improvements	4,760,274	581,837	779,853	6,121,964
Equipment & Vehicles	709,644	981,044	22,856	1,713,544
Other Capital Assets	33,316	1,090,319	248,201	1,371,836
Less: Accumulated Depreciation	(5,860,863)	(4,962,836)	(779,662)	(11,603,361)
Total Capital Assets, Net of Depreciation	12,329,857	19,291,777	271,248	31,892,882
Total Assets	13,237,710	22,363,107	502,420	36,103,237
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable	15,217	48,098	1,263	64,578
Interest Payable	241,112	253,745	-	494,857
Customer Deposits	41,036	38,420	-	79,456
Accrued Compensated Absences	15,200	11,806	-	27,006
OPEB Payable	3,698	6,140	155	9,993
Current Portion of Long-Term Obligations	196,738	955,236	-	1,151,974
Total Current Liabilities	513,001	1,313,445	1,418	1,827,864
Long-Term Obligations	4,570,122	12,484,007	-	17,054,129
Total Long-Term Liabilities	4,570,122	12,484,007	-	17,054,129
Total Liabilities	5,083,123	13,797,452	1,418	18,881,993
<u>NET POSITION:</u>				
Invested in capital assets, net of related debt	7,562,997	5,852,534	-	13,415,531
Restricted for:				
Capital Projects	-	391,847	-	391,847
Debt Service	-	522,379	-	522,379
Other Purposes	203,935	38,420	-	242,355
Unrestricted	387,653	1,760,473	501,003	2,649,129
Total Net Position	\$ 8,154,585	\$ 8,565,653	\$ 501,003	\$ 17,221,241

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

CITY OF STAYTON
**STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION**
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Enterprise Funds			Total Proprietary Funds
	Water Utility Funds	Sewer Utility Funds	Other Funds	
<u>OPERATING REVENUES:</u>				
Charges for Services & Fees	\$ 1,784,644	\$ 2,960,936	\$ 290	\$ 4,745,870
Developer Reimbursements	24,030	33,092	-	57,122
Total Revenues	1,808,674	2,994,028	290	4,802,992
<u>OPERATING EXPENSES:</u>				
Personnel Services	393,560	537,970	10	931,540
Materials and Supplies	475,086	1,047,085	190,709	1,712,880
Depreciation Expense	345,960	534,463	26,667	907,090
Total Operating Expenses	1,214,606	2,119,518	217,386	3,551,510
Income (Loss) from Operations	594,068	874,510	(217,096)	1,251,482
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Property Taxes	-	-	153,450	153,450
Investment Revenue	4,331	13,168	929	18,428
Interest Expense	(328,379)	(386,425)	-	(714,804)
Miscellaneous	8,985	6,545	30,000	45,530
Total Non-Operating Revenues (Expenses)	(315,063)	(366,712)	184,379	(497,396)
Income before Transfers	279,005	507,798	(32,717)	754,086
<u>TRANSFERS:</u>				
Transfers from Other Funds	-	-	15,000	15,000
Transfers to Other Funds	(392,127)	(462,161)	-	(854,288)
Changes in Net Position	(113,122)	45,637	(17,717)	(85,202)
Total Net Position, June 30, 2013	8,267,707	8,177,238	518,720	16,963,665
Equity Transfer In (Out)	-	342,778	-	342,778
Total Net Position, June 30, 2014	\$ 8,154,585	\$ 8,565,653	\$ 501,003	\$ 17,221,241

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

CITY OF STAYTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2014

	Enterprise Funds			Total Proprietary Funds
	Water Utility Fund	Sewer Utility Fund	Other Funds	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from User Charges	\$ 1,823,323	\$ 2,978,366	\$ 1,073	\$ 4,802,762
Cash Payments for Employee Services	(393,357)	(537,308)	(0)	(930,666)
Cash Payments to Suppliers	(474,655)	(1,144,908)	(192,242)	(1,811,805)
Net Cash Provided (Used) by Operating Activities	955,311	1,296,150	(191,169)	2,060,291
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>				
Transfer from Other Funds	-	-	15,000	15,000
Transfer to Other Funds	(392,127)	(462,161)	-	(854,288)
Net Cash Provided (Used) by Non-capital Financing Activities	(392,127)	(462,161)	15,000	(839,288)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from collection of Property Taxes	-	-	153,450	153,450
Proceeds from collection of Grants Other Non-Operating Revenue	8,985	6,545	30,000	45,530
Acquisition of Capital Assets	(163,403)	(278,111)	-	(441,514)
Principal Paid on Long Term Debt	(232,198)	(436,757)	-	(668,955)
Interest Paid on Long Term Debt	(170,718)	(393,330)	-	(564,048)
Net Cash Provided (Used) by Capital and Related Financing Activities	(557,334)	(1,101,653)	183,450	(1,475,537)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment Income	4,331	13,168	929	18,428
Net Cash Provided (Used) by Investing Activities	4,331	13,168	929	18,428
Cash and Cash Equivalents at July 1, 2013	760,336	3,058,087	212,959	4,031,382
Cash and Cash Equivalents at June 30, 2014	\$ 770,517	\$ 2,803,591	\$ 221,169	\$ 3,795,276
<u>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Income (loss) from operations	\$ 594,068	\$ 874,510	\$ (217,096)	\$ 1,251,482
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	345,960	534,463	26,667	907,090
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	5,027	(24,331)	783	(18,521)
Increase (decrease) in deposits	9,622	8,669	-	18,291
Increase (decrease) in payables	634	(97,161)	(1,523)	(98,051)
Net cash provided (used) by operating activities	\$ 955,311	\$ 1,296,150	\$ (191,169)	\$ 2,060,291

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

Notes to the Basic
Financial Statements

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Stayton, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected five member council. Administrative functions are delegated to the City administrator who reports to and is responsible to the mayor and council. The chief administrative officer is the City Administrator.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP Statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following is a summary of the more significant policies of the City:

A. Reporting Entity

In determining the financial reporting entity, the City of Stayton complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the City's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the City holds the corporate powers of the organization; 3) the City appoints a voting majority of the organization's board; 4) the City is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the City; and 6) there is fiscal dependency by the organization on the City. Based on the aforementioned criteria, the City of Stayton is a primary government with no includable component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. 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. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. The City does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net position are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements: The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

General Fund - 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 Fund - 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.

Vehicle Replacement Fund - This Fund provides for replacement of water, sewer, street, parks, and police department vehicles and other equipment used by the City on an established life-cycle basis. The primary source of revenue is from interfund transfers.

Facilities Development Fund - This Fund provides for the maintenance and development of the facilities. The primary sources of revenue are from rents collected and interfund transfers.

Trust & Agency Fund - This Fund provides for the collection and distribution of funds temporarily entrusted to the City. The primary sources of revenue are from county permits and donations.

Additionally the City also reports non-major funds within the governmental fund type.

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include the Library Fund, Street SDC Fund, Park SDC Fund, Public Works Administration Fund, and Grants Fund.

Capital Projects Funds 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). Non-major capital projects funds include the Parks Construction Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund - 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 Fund - 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.

Sewer Construction Fund - The Sewer Construction Fund is used to account for the acquisition or construction of sewer utilities.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 of the city's Sewer and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Budgeting

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

E. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The City has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the City to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer.

In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

F. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

G. Accumulated Compensated Absences

Accumulated vested vacation and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with the current resources are reported as liabilities in the government-wide statements and represent a reconciling item between the fund level and government-wide presentations. In business-type funds both the current and long-term liabilities are recorded. Sick pay, which does not vest, is recognized in applicable funds when leave is taken.

H. Receivables & Payables

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

An allowance for bad debts is not carried in the enterprise funds as the City has strong enforcement procedures including shut off of services and any uncollectible amounts would be immaterial. An allowance for bad debt is not carried in the governmental funds because the City has determined that any uncollectible amount would be immaterial to the financial statements.

I. Deferred Inflows of Resources:

In the governmental funds, property taxes which have not been collected within sixty days subsequent to year-end are not considered measurable and available and are therefore not recognized as revenue, but rather as deferred inflows of resources.

J. Inventory

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

K. Long-Term Debt

All bonds to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

L. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The estimated useful lives are as follows:

Buildings and Improvements	40-50 years
Furniture and Office Equipment	3-5 years
Machinery and Equipment	10-20 years
Vehicles	5-10 years
Water and Sewer Systems	40-50 years
Infrastructure	15-65 years

One-half year of depreciation is taken in the year the assets are acquired or retired.

M. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

N. Equity Classifications:

Government-wide Statements

Equity is classified as net position, which represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Invested in capital assets, net of related debt - 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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Equity Classifications (Cont):

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City does not have any nonspendable resources as of June 30, 2014.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for various projects that are to be used for governmental purposes.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the City Council, and does not lapse at year-end. The City has committed resources for various projects and purposes.
- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the City Council or through delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

O. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Note 1.E.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

Investments, including amounts held in pool 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. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2014, the reported amount of the City's deposits was \$183,290 and the bank balance was \$386,366. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

Investments - Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2014, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2014, the City's investments in financial institutions are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	\$ 6,964,689	N/A
Total Investments	<u>\$ 6,964,689</u>	

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH AND INVESTMENTS (CONT.):

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the City's total investments.

3. RECEIVABLES:

Receivables as of the end of the fiscal year for the City's governmental activities are as follows:

	General Fund	Street Fund	Other Governmental Funds	Total
Property Taxes	\$ 108,669	\$ -	\$ 9,216	\$ 117,885
Accounts	105,293	8,160	-	113,453
Total	<u>\$ 213,962</u>	<u>\$ 8,160</u>	<u>\$ 9,216</u>	<u>\$ 231,338</u>

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

4. CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2014:

<u>Governmental Activities</u>	June 30, 2013	Additions	Deletions	June 30, 2014
Assets not being depreciated:				
Land	\$ 1,759,203	\$ -	\$ -	\$ 1,759,203
Construction-In-Process	-	-	-	-
Assets being depreciated:				
Infrastructure	51,324,587	158,819	-	51,483,406
Buildings & Improvements	3,785,490	140,870	-	3,926,360
Equipment & Vehicles	1,177,991	53,173	-	1,231,164
Other Capital Assets	1,606,817	-	-	1,606,817
Total Depreciable Assets	57,894,885	352,862	-	58,247,747
Less: Accumulated Depreciation				
Infrastructure	21,565,143	728,248	-	22,293,391
Buildings & Improvements	1,275,088	83,373	-	1,358,461
Equipment & Vehicles	611,962	80,840	-	692,802
Other Capital Assets	1,314,103	25,335	-	1,339,438
Total Accumulated Depreciation	24,766,296	917,796	-	25,684,092
Net Value of Capital Assets Being Depreciated	33,128,589	(564,934)	-	32,563,655
Total Governmental Activities--Net Value of Capital Assets	<u>\$ 34,887,792</u>	<u>\$ (564,934)</u>	<u>\$ -</u>	<u>\$ 34,322,858</u>
<u>Business-type Activities</u>				
Assets not being depreciated:				
Land	\$ 247,157	\$ -	\$ -	\$ 247,157
Construction-In-Process	-	-	-	-
Assets being depreciated:				
Infrastructure	33,778,979	262,763	-	34,041,742
Buildings & Improvements	6,007,994	113,970	-	6,121,964
Equipment & Vehicles	1,305,985	407,559	-	1,713,544
Other Capital Assets	1,371,836	-	-	1,371,836
Total Depreciable Assets	42,464,794	784,292	-	43,249,086
Less: Accumulated Depreciation				
Infrastructure	7,725,617	612,173	-	8,337,790
Buildings & Improvements	1,067,343	127,944	-	1,195,287
Equipment & Vehicles	727,294	137,265	-	864,559
Other Capital Assets	1,176,017	29,708	-	1,205,725
Total Accumulated Depreciation	10,696,271	907,090	-	11,603,361
Net Value of Capital Assets Being Depreciated	31,768,523	(122,798)	-	31,645,725
Total Business-type Activities--Net Value of Capital Assets	<u>\$ 32,015,680</u>	<u>\$ (122,798)</u>	<u>\$ -</u>	<u>\$ 31,892,882</u>
Total Net Position of Primary Government	<u>\$ 66,903,472</u>	<u>\$ (687,732)</u>	<u>\$ -</u>	<u>\$ 66,215,740</u>

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

Governmental Activities:		Business-Type Activities	
General Government	832,565	Water Utilities	\$ 345,960
Police	26,571	Sewer Utilities	534,463
Library	58,660	Swimming Pool	26,667
Total depreciation expense - governmental activities	<u>\$ 917,796</u>		<u>\$ 907,090</u>

* With the implementation of GASB #34, the City elected the prospective reporting approach for infrastructure assets. Accordingly, only infrastructure assets acquired on July 1, 2003 and thereafter will be presented in the financial statements.

CITY OF STAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

5. LONG-TERM DEBT:

The table below presents current year changes in long term obligations and the current portions due for each issue. Governmental and business-type activities are shown separately:

	Outstanding Balance July 1, 2013	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2014	Due within One Year
BUSINESS-TYPE ACTIVITIES					
OEDD Bonds, series 1993 for special public works projects					
- Original Balance \$510,000					
Dated: December 21, 1993					
Interest Rate: 5.19%					
Principal	\$ 41,930	\$ -	\$ 41,930	\$ -	\$ -
Interest	-	2,176	2,176	-	-
Totals	\$ 41,930	\$ 2,176	\$ 44,106	\$ -	\$ -
Limited Tax Debt Bonds payable to US Bank for refunding of previously issued sewer bonds					
- Original Balance \$5,810,000					
Dated: January 3, 2013					
Interest Rate: 2.75%					
Principal	\$ 5,560,000		\$ 320,000	\$ 5,240,000	\$ 325,000
Interest	-	164,640	164,640	-	158,250
Totals	\$ 5,560,000	\$ 164,640	\$ 484,640	\$ 5,240,000	\$ 483,250
Business Oregon Water State Revolving Loan - Original Balance \$5,138,700					
Dated: February 18, 2009					
Interest Rate: 3.4%					
Principal	\$ 4,957,128	\$ -	\$ 190,268	\$ 4,766,860	\$ 196,738
Interest	-	168,542	168,542	-	162,073
Totals	\$ 4,957,128	\$ 168,542	\$ 358,810	\$ 4,766,860	\$ 358,811
Sewer Revenue Bonds, US Department of Agriculture for additions to sewer plant					
- Original Balance \$8,316,000					
Dated: September 6, 2012					
Interest Rate: 2.75%					
Principal	\$ 8,316,000		\$ 116,757	\$ 8,199,243	\$ 119,968
Interest	-	228,690	228,690	-	225,479
Totals	\$ 8,316,000	\$ 228,690	\$ 345,447	\$ 8,199,243	\$ 345,447
TOTAL DEBT AGREEMENTS:					
Principal	\$ 18,875,058	\$ -	\$ 668,955	\$ 18,206,103	\$ 641,706
Interest	-	564,048	564,048	-	545,802
Totals	\$ 18,875,058	\$ 564,048	\$ 1,233,003	\$ 18,206,103	\$ 1,187,508

CITY OF STAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

5. LONG-TERM DEBT (Cont.):

The debt service requirements on the above debt are as follows:

	<u>Due Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Business-Type Activities</u>				
Full Faith & Credit Refinancing Obligations, Series 2013- US Bank NA, -Original Balance \$2,810,000				
	2015	325,000	158,250	483,250
	2016	330,000	151,750	481,750
	2017	335,000	145,150	480,150
	2018	345,000	135,100	480,100
	2019	355,000	124,750	479,750
	2020-2024	1,935,000	438,900	2,373,900
	2025-2028	1,615,001	116,100	1,731,101
	Total	<u>\$ 5,240,001</u>	<u>\$ 1,270,000</u>	<u>\$ 6,510,001</u>
Business Oregon Water State Revolving Loan - Original Balance \$5,138,700				
	2015	196,738	162,073	358,811
	2016	203,427	155,384	358,811
	2017	210,343	148,468	358,811
	2018	217,495	141,316	358,811
	2019	224,890	133,921	358,811
	2020-2024	1,244,476	549,579	1,794,055
	2025-2029	1,470,922	323,133	1,794,055
	2030-2032	998,572	68,342	1,066,914
	Total	<u>\$ 4,766,863</u>	<u>\$ 1,682,216</u>	<u>\$ 6,449,079</u>
Sewer Revenue Bonds, US Department of Agriculture Original Balance \$8,316,000 Dated September 6, 2012				
	2015	119,968	225,479	345,447
	2016	123,267	222,180	345,447
	2017	126,657	218,790	345,447
	2018	130,140	215,307	345,447
	2019	133,719	211,728	345,447
	2020-2024	725,817	1,001,418	1,727,235
	2025-2029	831,259	895,976	1,727,235
	2030-2034	952,019	775,216	1,727,235
	2035-2039	1,090,321	636,914	1,727,235
	2040-2044	1,248,716	478,519	1,727,235
	2045-2049	1,430,122	297,113	1,727,235
	2050-2053	1,287,238	89,494	1,376,732
	Total	<u>\$ 8,199,243</u>	<u>\$ 5,268,134</u>	<u>\$ 13,467,377</u>

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

6. PENSION PLAN:

Union Bank of California

The City sponsors a retirement plan for eligible employees and non-sworn police employees through a contract with Union Bank of California. The retirement plan is a defined benefit plan to which employees and the City both contribute. All full time employees are eligible to participate in the Plan after six months of employment. Benefits vest after 60 months of membership in the Plan. Employees may retire with insurance benefits at age 65 or at age 55 with 30 years of service. Employees are eligible for early retirement with reduced benefits at age 55. The Plan also provide for death and disability benefits.

The Plan requires, and it is the policy of the City, to fund all normal current and prior unfunded service pension costs over a period of ten years.

The rate of employee contribution is established in the Plan document as 6% of the basic monthly earnings. The rate of employer contributions is determined annually, based on an actuarial evaluation by Milliman USA. The employer rate for 2013-14 was 23.4% of employee earnings. The contribution for the year ended June 30, 2014 was \$281,972 which consists of \$211,772 for the City's portion, and \$70,201 for the employees' portion.

For the year ended June 30, 2014, the City's annual pension cost is *estimated* to be \$281,972. For the two preceding years ended June 30, 2013 and 2012, the City's pension cost was \$314,908 and \$312,568 respectively. The actual contribution was \$305,604 and \$315,459 respectively for the two preceding years ended June 30, 2013 and 2012. The required contribution was determined as part of the July 1, 2013 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 6.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.0 percent per year, compounded annually. For this valuation, the actuarial value of assets is equal of the plan's net position, which is the fund balance of the insurance contract at the valuation date.

Funding Status. The information presented below is the schedule of funding progress.

<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>
7/1/2013	\$4,873,071	\$5,460,247	\$587,176	89.2%	\$1,107,765	53.0%
7/1/2012	4,462,962	5,094,628	631,666	87.6%	1,177,580	53.6%
7/1/2011	4,098,352	4,491,047	392,695	91.3%	1,230,182	31.9%

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

6. PENSION PLAN (Cont.):

Oregon Public Employees' Retirement System

Plan Description. The City contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service.

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

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

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The City "picks up" employee contributions at a rate of 6% as allowed under ORS 237.075. The City is required to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERB and the OPSRP rates in effect for the year ended June 30, 2014 were 19.14% and 12.92% respectively. The contribution requirements of plan members and the City are established and may be amended by the PERS Board of Trustees.

Annual Pension Cost. The City's contribution to PERS for the years ending June 30, 2014, 2013, and 2012 were \$172,899, \$185,481, and \$184,103 respectively. The contributions actually made are equivalent to the Annual Pension Cost.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA)

Plan Description

The City contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598- 7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

CITY OF STAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Cont.):

Funding Policy

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.59% of annual covered PERS payroll and 0.50% for OPSRP payroll. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to PERS' RHIA for the year ended June 30, 2013, was *estimated* to be \$6,071, which equaled the *estimated* required contributions for the year.

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2014, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$	8,067
Interest on net OPEB obligation		260
Adjustment to the annual required contribution		-
Annual OPEB cost (expense)		8,327
Contributions made		(7,023)
Increase in net OPEB obligation		1,304
Net OPEB obligation, beginning of year		8,652
Net OPEB obligation, end of year	\$	9,956

Union Bank of California

Plan Description

The City contributes to the Union Bank of California Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Union Bank of California. The City established RHIA effective July 1, 1992 as a separate account from the pension plan. However, the assets for the RHIA are combined with the pension assets into one account for investment purposes. The financial statements are prepared by Union Bank and show the pension and RHIA assets on a combined basis. RHIA post-employment benefits are set by state statute.

Funding Policy

For each eligible employee who retires or becomes disabled on or after July 1, 1994, who is receiving a retirement or disability benefit from the Plan, had earned seven years of membership in the Plan at the time of retirement or disability and is age 65, the City shall provide the following:

Of the monthly cost of coverage for an eligible retired employee under a health care insurance contract entered into with the City that provides coverage after retirement, an amount equal to the monthly cost of that coverage or \$100, whichever is less, shall be paid from the RHIA established by Union Bank. 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.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Cont.):

The RHIA is established within this Trust as a separate and distinct account. Interest earned by the account shall be credited to the account. The account shall be used only to pay costs of health care insurance contract coverage detailed above. The RHIA shall be funded by employer contributions only.

Participating employers are required to contribute at a rate currently 0.7% of annual covered payroll. The pension administrator sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's estimated contributions to Union Bank's RHIA for the year ended June 30, 2014, was \$9,304, which equaled the estimated required contributions for the year, based on amounts from the July 1, 2013 actuarial report.

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2014, the amount *estimated* to be contributed to the plans, and the *estimated* changes in the City's net OPEB obligation:

Annual required contribution	\$ 9,293
Interest on net OPEB obligation	<u>654</u>
Annual OPEB cost (expense)	9,947
Contributions made	<u>(9,304)</u>
Increase in net OPEB obligation	643
Net OPEB obligation, beginning of year	<u>9,349</u>
Net OPEB obligation, end of year	<u><u>\$ 9,992</u></u>

8. CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

9. RISK MANAGEMENT:

To reduce the risk of loss from liability, fire, theft, accident, medical costs, errors and omissions, the City maintains various commercial insurance policies.

In 1981 the League of Oregon Cities joined together with the Association of Oregon Counties to form City County Insurance Services (CIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City has obtained, from CIS, insurance for risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF STAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

10. INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2014 were as follows:

	Transfers Out	Transfers In
General Fund	\$ 235,000	\$ 347,335
Library Fund	2,000	119,500
Street Fund	122,937	-
Street SDC Fund	2,120	-
Parks SDC Fund	30,400	-
Public Works Fund	-	413,000
Vehicle Replacement Fund	-	234,401
Grants Fund	-	2,000
Parks Construction Fund	-	30,000
Facilities Development Fund	-	85,509
Water Fund	391,257	-
Water SDC Fund	870	-
Sewer Fund	460,246	-
Sewer SDC Fund	1,915	-
Swimming Pool Fund	-	15,000
Total	\$ 1,246,745	\$ 1,246,745

The City makes interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. The transfers are part of the City's budget preparation and adoption.

CITY OF STAYTON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The City maintains two Enterprise Funds which account for the municipal water and sewer activities. Key financial data for these operations for the year ended June 30, 2014 are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>CONDENSED STATEMENT OF NET POSITION:</u>			
Current Assets	\$ 907,853	\$ 3,071,330	\$ 3,979,183
Capital Assets	12,329,857	19,291,777	31,621,634
Total Assets	<u>\$ 13,237,710</u>	<u>\$ 22,363,107</u>	<u>\$ 35,600,817</u>
Current Liabilities	513,001	1,313,445	1,826,446
Non-Current Liabilities	4,570,122	12,484,007	17,054,129
Total Liabilities	<u>\$ 5,083,123</u>	<u>\$ 13,797,452</u>	<u>\$ 18,880,575</u>
Total Net Position			
Invested in Capital Assets, net of related debt	\$ 7,562,997	\$ 5,852,534	\$ 13,415,531
Restricted for Capital Projects	-	391,847	391,847
Restricted for Debt Service	-	522,379	522,379
Restricted for Other Purposes	203,935	38,420	242,355
Unrestricted	387,653	1,760,473	2,148,126
<u>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION:</u>			
Operating Revenues	1,808,674	2,994,028	4,802,702
Operating Expenses	868,646	1,585,055	2,453,701
Depreciation	345,960	534,463	880,423
Operating Income (Loss)	<u>594,068</u>	<u>874,510</u>	<u>1,468,578</u>
Non-Operating Revenues (Expenses)	(315,063)	(366,712)	(681,775)
Transfers To (From)	<u>(392,127)</u>	<u>(462,161)</u>	<u>(854,288)</u>
Change In Net Position	(113,122)	45,637	(67,485)
Beginning Net Position	<u>8,267,707</u>	<u>8,177,238</u>	<u>16,444,945</u>
Ending Net Position	<u>\$ 8,154,585</u>	<u>\$ 8,565,653</u>	<u>\$ 16,720,238</u>
<u>CONDENSED STATEMENT OF CASH FLOWS:</u>			
Cash Provided (Used) by:			
Operating Activities	955,311	1,296,150	2,251,461
Non Capital Financing Activities	(392,127)	(462,161)	(854,288)
Capital & Related Financing	(557,334)	(1,101,653)	(1,658,987)
Investing Activities	4,331	13,168	17,499
Beginning Cash	<u>760,336</u>	<u>3,058,087</u>	<u>3,818,423</u>
Ending Cash	<u>\$ 770,517</u>	<u>\$ 2,803,591</u>	<u>\$ 3,574,108</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<u>REVENUES:</u>				
Taxes and Assessments	\$ 1,671,970	\$ 1,671,970	\$ 1,752,732	\$ 80,762
Charges for Services	7,200	7,200	3,917	(3,283)
Intergovernmental	166,400	166,400	183,614	17,214
Franchise Taxes	767,000	767,000	840,194	73,194
Licenses, Permits and Fees	16,000	16,000	16,099	99
Fines and Forfeitures	40,500	40,500	58,150	17,650
Investment Revenue	500	500	24	(476)
Grants	1,500	1,500	382	(1,118)
Rents	29,360	29,360	32,830	3,470
Other Revenue	15,500	15,500	14,467	(1,033)
Total Revenues	2,715,930	2,715,930	2,902,409	186,479
<u>EXPENDITURES:</u>				
Personnel Services	2,077,806	2,077,806	1,915,294	(162,512)
Materials and Services	885,157	885,157	770,953	(114,204)
Capital Outlay	36,000	36,000	5,955	(30,045)
Contingency	244,302	244,302	-	(244,302)
Total Expenditures	3,243,265	3,243,265	2,692,202	(551,063)
Excess (Deficiency) of Revenues Over Expenditures	(527,335)	(527,335)	210,207	737,542
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	347,335	347,335	347,335	-
Operating Transfer (Out)	(235,000)	(235,000)	(235,000)	-
Total Other Financing Sources (Uses)	112,335	112,335	112,335	-
Net Change in Fund Balance	(415,000)	(415,000)	322,542	737,542
Fund Balance - July 1, 2013	600,000	600,000	742,584	142,584
Fund Balance - June 30, 2014	\$ 185,000	\$ 185,000	\$ 1,065,126	\$ 880,126

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Assessments	\$ 84,000	\$ 84,000	\$ 85,760	\$ 1,760
Intergovernmental	425,000	425,000	440,752	15,752
Grants	56,269	56,269	90,301	34,032
Investment Revenue	200	200	936	736
Miscellaneous Revenue	70,250	70,250	36,384	(33,866)
Total Revenues	635,719	635,719	654,133	18,414
EXPENDITURES:				
Personnel Services	84,096	84,096	82,729	(1,367)
Materials and Services	262,030	262,030	227,605	(34,425)
Capital Outlay	190,000	190,000	119,744	(70,256)
Contingency	16,656	16,656	-	(16,656)
Total Expenditures	552,782	552,782	430,078	(122,704)
Excess (Deficiency) of Revenues Over Expenditures	82,937	82,937	224,055	141,118
OTHER FINANCING SOURCES (USES):				
Operating Transfer (Out)	(122,937)	(122,937)	(122,937)	-
Total Other Financing Sources (Uses)	(122,937)	(122,937)	(122,937)	-
Net Change In Fund Balance	(40,000)	(40,000)	101,118	141,118
Fund Balance, July 1, 2013	40,000	40,000	161,850	121,850
Fund Balance, June 30, 2014	\$ -	\$ -	\$ 262,968	\$ 262,968

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

VEHICLE REPLACEMENT FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 5,000	\$ 5,000	\$ 3,642	\$ (1,358)
Other Revenue	15,000	15,000	-	(15,000)
Total Revenues	20,000	20,000	3,642	(16,358)
<u>EXPENDITURES:</u>				
Materials and Services	5,000	5,000	-	(5,000)
Capital Outlay	425,000	425,000	389,162	(35,838)
Contingency	600,000	600,000	-	(600,000)
Total Expenditures	1,030,000	1,030,000	389,162	(640,838)
Excess (Deficiency) of Revenues Over Expenditures	(1,010,000)	(1,010,000)	(385,520)	624,480
<u>OTHER FINANCING SOURCES (USES):</u>				
Proceeds from Sale of Assets	-	-	30,000	30,000
Operating Transfer In	234,401	234,401	234,401	-
Total Other Financing Sources (Uses)	234,401	234,401	264,401	30,000
Net Change in Fund Balance	(775,599)	(775,599)	(121,119)	654,480
Fund Balance - July 1, 2013	918,000	918,000	981,138	63,138
Fund Balance - June 30, 2014	\$ 142,401	\$ 142,401	\$ 860,019	\$ 717,618

CITY OF STAYTON

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

TRUST AND AGENCY FUND

For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
			<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note 1)</u>	<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Miscellaneous Revenue	\$ 350,000	\$ 350,000	\$ 147,625	\$ (202,375)
Total Revenues	350,000	350,000	147,625	(202,375)
<u>EXPENDITURES:</u>				
Materials and Services	350,000	350,000	118,437	(231,563)
Total Expenditures	350,000	350,000	118,437	(231,563)
Excess (Deficiency) of Revenues Over Expenditures	-	-	29,188	29,188
Fund Balance, July 1, 2013	150,000	150,000	118,620	(31,380)
Fund Balance, June 30, 2014	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 147,808</u>	<u>\$ (2,192)</u>

OTHER
SUPPLEMENTARY
INFORMATION

Combining and Individual
Fund Financial Statements

Additional Supporting Schedules

Proprietary Funds

CITY OF STAYTON
COMBINING SCHEDULE OF NET POSITION
WATER UTILITY FUNDS
June 30, 2014

	<u>Water Fund</u>	<u>Water SDC Fund</u>	<u>Total</u>
<u>ASSETS:</u>			
Current Assets:			
Cash & Investments	\$ 607,620	\$ 162,899	\$ 770,519
Accounts Receivable	137,334	-	137,334
Total Current Assets	744,954	162,899	907,853
Capital Assets:			
Land	31,825	-	31,825
Infrastructure	12,655,661	-	12,655,661
Buildings & Improvements	4,760,274	-	4,760,274
Equipment & Vehicles	709,644	-	709,644
Other Capital Assets	33,316	-	33,316
Less: Accumulated Depreciation	(5,860,863)	-	(5,860,863)
Total Capital Assets, Net of Depreciation	12,329,857	-	12,329,857
Total Assets	\$13,074,811	\$ 162,899	\$ 13,237,710
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 15,217	\$ -	\$ 15,217
Interest Payable	241,112	-	241,112
Customer Deposits	41,036	-	41,036
Compensated Absences Payable	15,200	-	15,200
OPEB Payable	3,698	-	3,698
Current Portion of Long-Term Debt	196,738	-	196,738
Total Current Liabilities:	513,001	-	513,001
Long-Term Debt, Non-Current Portion	4,570,122	-	4,570,122
Total Liabilities	\$ 5,083,123	\$ -	\$ 5,083,123
<u>NET POSITION:</u>			
Invested in capital assets, net of related debt	7,562,997	-	7,562,997
Restricted for:			
Other Purposes	41,036	162,899	203,935
Unrestricted	387,653	-	387,653
Total Net Position	\$ 7,991,686	\$ 162,899	\$ 8,154,585

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

WATER UTILITY FUNDS

For the Fiscal Year Ended June 30, 2014

	<u>Water Fund</u>	<u>Water SDC Fund</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for Services	1,784,644	-	1,784,644
System Development Charges	-	24,030	24,030
Total Operating Revenues	1,784,644	24,030	1,808,674
<u>OPERATING EXPENSES:</u>			
Personnel Services	393,560	-	393,560
Materials and Services	474,498	588	475,086
Depreciation	345,960	-	345,960
Total Operating Expenses	1,214,018	588	1,214,606
Operating Income (loss)	570,626	23,442	594,068
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Investment Revenue	3,603	728	4,331
Interest Expense	(328,379)	-	(328,379)
Miscellaneous	8,985	-	8,985
Total Non-Operating Revenues (Expenses)	(315,791)	728	(315,063)
Income (loss) before transfers	254,835	24,170	279,005
<u>TRANSFERS:</u>			
Operating Transfers (Out)	(391,257)	(870)	(392,127)
Total Transfers	(391,257)	(870)	(392,127)
Changes in Net Position	(136,422)	23,300	(113,122)
Net Position, July 1, 2013	8,128,108	139,599	8,267,707
Net Position, June 30, 2014	\$ 7,991,686	\$ 162,899	\$ 8,154,585

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

WATER FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget
	Original	Final		Positive (Negative)
<u>REVENUES:</u>				
Charges for Services	\$ 1,745,000	\$ 1,745,000	\$ 1,750,731	\$ 5,731
Licenses, Permits and Fees	29,000	29,000	33,913	4,913
Investment Revenue	3,500	3,500	3,603	103
Other Revenue	11,000	11,000	8,985	(2,015)
Total Revenues	1,788,500	1,788,500	1,797,232	8,732
<u>EXPENDITURES:</u>				
Personnel services	434,534	434,534	393,357	(41,177)
Materials and supplies	483,590	483,590	478,367	(5,223)
Capital Outlay	240,000	240,000	159,534	(80,466)
Debt Service				
Principal	232,199	232,199	232,198	(1)
Interest	170,720	170,720	170,718	(2)
Contingency	291,182	291,182	-	(291,182)
Total Expenditures	1,852,225	1,852,225	1,434,174	(418,051)
Excess (Deficiency) of Revenues Over Expenditures	(63,725)	(63,725)	363,058	426,783
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(391,257)	(391,257)	(391,257)	-
Total Other Financing Sources (Uses)	(391,257)	(391,257)	(391,257)	-
Net Change In Fund Balance	(454,982)	(454,982)	(28,199)	426,783
Fund Balance - July 1, 2013	690,000	690,000	714,002	24,002
Fund Balance - June 30, 2014	\$ 235,018	\$ 235,018	\$ 685,803	\$ 450,785

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	(28,199)
Debt Repayment - Principal	232,198
Capital outlay that is capitalized	163,403
Depreciation Expense	(345,960)
Change in Vacation Payable	36
Change in Interest Payable	(157,661)
OPEB Expense	(239)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ (136,422)</u>

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

WATER SDC FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Licenses, Permits and Fees	\$ 21,360	\$ 21,360	\$ 24,030	\$ 2,670
Investment Revenue	500	500	728	228
Total Revenues	21,860	21,860	24,758	2,898
<u>EXPENDITURES:</u>				
Materials and Services	67,000	67,000	588	(66,412)
Capital Outlay	60,000	60,000	-	(60,000)
Total Expenditures	127,000	127,000	588	(126,412)
Excess (Deficiency) of Revenues Over Expenditures	(105,140)	(105,140)	24,170	129,310
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(870)	(870)	(870)	-
Total Other Financing Sources (Uses)	(870)	(870)	(870)	-
Net Change In Fund Balance	(106,010)	(106,010)	23,300	129,310
Fund Balance, July 1, 2013	135,000	135,000	139,599	4,599
Fund Balance, June 30, 2014	\$ 28,990	\$ 28,990	\$ 162,899	\$ 133,909

CITY OF STAYTON

COMBINING SCHEDULE OF NET POSITION

SEWER UTILITY FUNDS

June 30, 2014

	<u>Sewer Fund</u>	<u>Sewer SDC Fund</u>	<u>Sewer Construction Fund</u>	<u>Total</u>
<u>ASSETS:</u>				
Current Assets:				
Cash & Investments	\$ 2,411,746	\$ 391,847	\$ -	\$ 2,803,593
Accounts Receivable	267,737	-	-	267,737
Total Current Assets	2,679,483	391,847	-	3,071,330
Capital Assets:				
Land	215,332	-	-	215,332
Infrastructure	21,386,081	-	-	21,386,081
Buildings & Improvements	581,837	-	-	581,837
Equipment & Vehicles	981,044	-	-	981,044
Other Capital Assets	1,090,319	-	-	1,090,319
Less: Accumulated Depreciation	(4,962,836)	-	-	(4,962,836)
Total Capital Assets, Net of Depreciation	19,291,777	-	-	19,291,777
Total Assets	\$ 21,971,260	\$ 391,847	\$ -	\$ 22,363,107
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable	48,098	-	-	48,098
Interest Payable	253,745	-	-	253,745
Customer Deposits	38,420	-	-	38,420
Compensated Absences Payable	11,806	-	-	11,806
OPEB Payable	6,140	-	-	6,140
Current Portion of Long-Term Debt	955,236	-	-	955,236
Total Current Liabilities	1,313,445	-	-	1,313,445
Long-Term Debt, Non-Current Portion	12,484,007	-	-	12,484,007
Total Liabilities	\$ 13,797,452	\$ -	\$ -	\$ 13,797,452
<u>NET POSITION:</u>				
Invested in capital assets, net of related debt	5,852,534	-	-	5,852,534
Restricted for:				
Capital Projects	-	391,847	-	391,847
Debt Service	522,379	-	-	522,379
Other Purposes	38,420	-	-	38,420
Unrestricted	1,760,473	-	-	1,760,473
Total Net Position	\$ 8,173,806	\$ 391,847	\$ -	\$ 8,565,653

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SEWER UTILITY FUNDS

For the Fiscal Year Ended June 30, 2014

	Sewer Fund	Sewer SDC Fund	Sewer Construction Fund	Total
<u>OPERATING REVENUES:</u>				
Charges for Services	\$ 2,960,936	\$ -	\$ -	\$ 2,960,936
System Development Charges	-	33,092	-	33,092
Total Operating Revenues	2,960,936	33,092	-	2,994,028
<u>OPERATING EXPENSES:</u>				
Personnel Services	537,970	-	-	537,970
Materials and Services	1,046,098	987	-	1,047,085
Depreciation	534,463	-	-	534,463
Total Operating Expenses	2,118,531	987	-	2,119,518
Operating Income (loss)	842,405	32,105	-	874,510
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Investment Revenue	11,377	1,791	-	13,168
Interest Expense	(386,425)	-	-	(386,425)
Miscellaneous Revenue	6,545	-	-	6,545
Total Non-Operating Revenues (Expenses)	(368,503)	1,791	-	(366,712)
Income (loss) before transfers	473,902	33,896	-	507,798
<u>TRANSFERS:</u>				
Operating Transfers (Out)	(460,246)	(1,915)	-	(462,161)
Total Transfers	(460,246)	(1,915)	-	(462,161)
Changes in Net Position	13,656	31,981	-	45,637
Net Position, July 1, 2013	7,744,872	359,866	72,500	8,177,238
Equity Transfer In (Out)	415,278	-	(72,500)	342,778
Net Position, June 30, 2014	\$ 8,173,806	\$ 391,847	\$ -	\$ 8,565,653

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<u>REVENUES:</u>				
Charges for Services	\$ 2,866,680	\$ 2,866,680	\$ 2,960,936	\$ 94,256
Investment Revenue	9,000	9,000	11,377	2,377
Other Revenue	12,500	12,500	6,545	(5,955)
Total Revenues	2,888,180	2,888,180	2,978,858	90,678
<u>EXPENDITURES:</u>				
Personnel services	671,688	671,688	537,308	(134,380)
Materials and supplies	1,167,774	1,167,774	1,063,877	(103,897)
Capital Outlay	330,000	330,000	187,832	(142,168)
Debt Service				
Principal	436,757	436,757	436,757	(0)
Interest	393,340	393,340	393,330	(10)
Contingency	1,250,000	1,250,000	-	(1,250,000)
Total Expenditures	4,249,559	4,249,559	2,619,104	(1,630,455)
Excess (Deficiency) of Revenues Over Expenditures	(1,361,379)	(1,361,379)	359,754	1,721,133
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(460,246)	(460,246)	(460,246)	-
Reserved for Future Expenditure	(431,447)	(431,447)	-	(431,447)
Total Other Financing Sources (Uses)	(891,693)	(891,693)	(460,246)	431,447
Net Change In Fund Balance	(2,253,072)	(2,253,072)	(100,492)	2,152,580
Fund Balance - July 1, 2013	2,300,000	2,300,000	2,689,919	389,919
Fund Balance - June 30, 2014	\$ 46,928	\$ 46,928	\$ 2,589,427	\$ 2,542,499

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	(100,492)
Change in Interest Payable	6,905
Debt Repayment - Principal	436,757
Capital outlay that is capitalized	205,611
Depreciation Expense	(534,463)
Change in Vacation Payable	(266)
OPEB Expense	(396)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ 13,656</u>

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER SDC FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Licenses, Permits and Fees	\$ 28,224	\$ 28,224	\$ 33,092	\$ 4,868
Investment Revenue	1,500	1,500	1,791	291
Total Revenues	29,724	29,724	34,883	5,159
<u>EXPENDITURES:</u>				
Materials and Services	290,000	290,000	987	(289,013)
Capital Outlay	100,000	100,000	-	(100,000)
Total Expenditures	390,000	390,000	987	(389,013)
Excess (Deficiency) of Revenues Over Expenditures	(360,276)	(360,276)	33,896	394,172
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(1,915)	(1,915)	(1,915)	-
Total Other Financing Sources (Uses)	(1,915)	(1,915)	(1,915)	-
Net Change In Fund Balance	(362,191)	(362,191)	31,981	394,172
Fund Balance, July 1, 2013	375,000	375,000	359,866	(15,134)
Fund Balance, June 30, 2014	\$ 12,809	\$ 12,809	\$ 391,847	\$ 379,038

CITY OF STAYTON

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

SEWER CONSTRUCTION FUND

For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment Revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
<u>EXPENDITURES:</u>				
Capital Outlay	72,500	72,500	72,500	-
Total Expenditures	72,500	72,500	72,500	-
Excess (Deficiency) of Revenues Over Expenditures	(72,500)	(72,500)	(72,500)	-
Fund Balance, July 1, 2013	72,500	72,500	72,500	-
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF STAYTON

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

STORMWATER SDC FUND

For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
			<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note 1)</u>	<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Licenses, Permits and Fees	\$ 24,000	\$ 24,000	\$ -	\$ (24,000)
Total Revenues	24,000	24,000	-	(24,000)
<u>EXPENDITURES:</u>				
Materials and Services	10,000	10,000	-	(10,000)
Total Expenditures	10,000	10,000	-	(10,000)
Excess (Deficiency) of Revenues Over Expenditures	14,000	14,000	-	(14,000)
Fund Balance, July 1, 2013	-	-	-	-
Fund Balance, June 30, 2014	\$ 14,000	\$ 14,000	\$ -	\$ (14,000)

CITY OF STAYTON

COMBINING SCHEDULE OF NET POSITION

NON-MAJOR ENTERPRISE FUNDS

June 30, 2014

	Swimming Pool Fund	Sublimity RECD Fund	Total
<u>ASSETS:</u>			
Currents Assets:			
Cash & Investments	\$ 125,751	\$ 95,418	\$ 221,169
Property Tax Receivable	10,003	-	10,003
Total Current Assets	135,754	95,418	231,172
Capital Assets:			
Buildings & Improvements	779,853	-	779,853
Equipment & Vehicles	22,856	-	22,856
Other Capital Assets	248,201	-	248,201
Less: Accumulated Depreciation	(779,662)	-	(779,662)
Total Capital Assets, Net of Depreciation	271,248	-	271,248
Total Assets	\$ 407,002	\$ 95,418	\$ 502,420
<u>LIABILITIES:</u>			
Accounts Payable	1,263	-	1,263
OPEB Payable	155	-	155
Total Liabilities	1,418	-	1,418
<u>NET POSITION:</u>			
Committed for:			
Swimming Pool Programs	405,585	-	405,585
Debt Service	-	95,418	95,418
Total Net Position	\$ 405,585	\$ 95,418	\$ 501,003

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

NON-MAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2014

	<u>Swimming Pool Fund</u>	<u>Sublimity RECD Fund</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for Services	290	-	290
Total Operating Revenues	290	-	290
<u>OPERATING EXPENSES:</u>			
Personnel Services	10	-	10
Materials and Services	190,709	-	190,709
Depreciation	26,667	-	26,667
Total Operating Expenses	217,386	-	217,386
Operating Income (loss)	(217,096)	-	(217,096)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Property Taxes	153,450	-	153,450
Investment Revenue	481	448	929
Miscellaneous Revenues	30,000	-	30,000
Total Non-Operating Revenues (Expenses)	183,931	448	184,379
Income (Loss) Before Transfers	(33,165)	448	(32,717)
<u>TRANSFERS:</u>			
Operating Transfers In	15,000	-	15,000
Total Transfers	15,000	-	15,000
Changes in Net Position	(18,165)	448	(17,717)
Net Position, July 1, 2013	423,750	94,970	518,720
Net Position, June 30, 2014	\$ 405,585	\$ 95,418	\$ 501,003

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SWIMMING POOL FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<u>REVENUES:</u>				
Taxes and Assessments	\$ 149,000	\$ 149,000	\$ 154,662	\$ 5,662
Charges for Services	-	-	290	290
Grants and Contributions	-	-	30,000	30,000
Investment Revenue	250	250	481	231
Total Revenues	149,250	149,250	185,433	36,183
<u>EXPENDITURES:</u>				
Materials and Services	159,690	159,690	142,584	(17,106)
Capital Outlay	73,367	73,367	48,125	(25,242)
Debt Service:				
Contingency	5,243	5,243	-	(5,243)
Total Expenditures	238,300	238,300	190,709	(47,591)
Excess (Deficiency) of Revenues Over Expenditures	(89,050)	(89,050)	(5,276)	83,774
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	15,000	15,000	15,000	-
Total Other Financing Sources (Uses)	15,000	15,000	15,000	-
Net Change In Fund Balance	(74,050)	(74,050)	9,724	83,774
Fund Balance, July 1, 2013	74,050	74,050	117,352	43,302
Fund Balance, June 30, 2014	\$ -	\$ -	\$ 127,076	\$ 127,076

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	9,724
Change in Deferred Revenue	(1,212)
OPEB Expense	(10)
Depreciation Expense	(26,667)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ (18,165)</u>

CITY OF STAYTON

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

SUBLIMITY/RD RESERVE FUND

For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note 1)</u>	<u>Positive</u> <u>(Negative)</u>
<u>REVENUES:</u>				
Investment Revenue	\$ 500	\$ 500	\$ 448	\$ (52)
Total Revenues	500	500	448	(52)
<u>EXPENDITURES:</u>				
Materials and Services	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	500	500	448	(52)
Fund Balance, July 1, 2013	95,500	95,500	94,970	(530)
Fund Balance, June 30, 2014	\$ 96,000	\$ 96,000	\$ 95,418	\$ (582)

Combining Non-Major
Governmental Funds

CITY OF STAYTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Combined Non-Major Special Revenue Funds	Combined Non-Major Capital Projects Funds	Total
<u>ASSETS:</u>			
Cash & Investments	\$ 597,146	\$ 41,086	\$ 638,232
Property Tax Receivable	9,216	-	9,216
Total Assets	606,362	41,086	647,448
<u>LIABILITIES:</u>			
Accounts Payable	7,896	-	7,896
Deferred Revenue	6,672	-	6,672
Total Liabilities	14,568	-	14,568
<u>FUND BALANCES:</u>			
Restricted for:			
Street Projects	359,634	-	359,634
Misc Community Projects	21,306	-	21,306
Parks & Recreation Programs	55,241	-	55,241
Committed for:			
Library Programs	88,936	-	88,936
Public Works Programs	66,677	-	66,677
Misc Capital Projects	-	41,086	41,086
Total Fund Balances	591,794	41,086	632,880
Total Liabilities and Fund Balances	\$ 606,362	\$ 41,086	\$ 647,448

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014

	Combined Non-Major Special Revenue Funds	Combined Non-Major Capital Projects Funds	Total
<u>REVENUES:</u>			
Taxes and Assessments	\$ 149,264	\$ 9,859	\$ 159,123
Licenses and Permits	79,105	-	79,105
Charges for Services	103,297	-	103,297
Grants	74,106	35,000	109,106
Fines and Forfeitures	16,612	-	16,612
Investment Revenue	2,418	-	2,418
Other Revenue	15,625	-	15,625
Total Revenues	440,427	44,859	485,286
<u>EXPENDITURES:</u>			
General Government	47,274	-	47,274
Highway and Street	416,015	-	416,015
Culture and Recreation	370,141	-	370,141
Capital Outlay	44,631	33,773	78,404
Total Expenditures	878,061	33,773	911,834
Excess of Revenues Over (Under) Expenditures	(437,634)	11,086	(426,548)
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	534,500	30,000	564,500
Operating Transfers Out	(34,520)	-	(34,520)
Total Other Financing Sources (Uses)	499,980	30,000	529,980
Net Change In Fund Balances	62,346	41,086	103,432
Fund Balance, July 1, 2013	529,448	-	529,448
Fund Balance, June 30, 2014	\$ 591,794	\$ 41,086	\$ 632,880

Non-Major Special
Revenue Funds

CITY OF STAYTON
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS

June 30, 2014

	<u>Library Fund</u>	<u>Street SDC Fund</u>	<u>Parks SDC Fund</u>	<u>Public Works Admin. Fund</u>	<u>Grants Fund</u>	<u>Total</u>
<u>ASSETS:</u>						
Cash & Investments	\$ 88,807	\$ 359,634	\$ 55,241	\$ 71,187	\$ 22,277	\$ 597,146
Property Tax Receivable	9,216	-	-	-	-	9,216
Total Assets	98,023	359,634	55,241	71,187	22,277	606,362
<u>LIABILITIES:</u>						
Accounts Payable	2,415	-	-	4,510	971	7,896
Deferred Revenue	6,672	-	-	-	-	6,672
Total Liabilities	9,087	-	-	4,510	971	14,568
<u>FUND BALANCES:</u>						
Restricted for:						
Street Projects	-	359,634	-	-	-	359,634
Misc Community Projects	-	-	-	-	21,306	21,306
Parks & Recreation Programs	-	-	55,241	-	-	55,241
Committed for:						
Library Programs	88,936	-	-	-	-	88,936
Public Works Programs	-	-	-	66,677	-	66,677
Total Fund Balances	88,936	359,634	55,241	66,677	21,306	591,794
Total Liabilities and Fund Balances	\$ 98,023	\$ 359,634	\$ 55,241	\$ 71,187	\$ 22,277	\$ 606,362

CITY OF STAYTON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2014

	Library Fund	Street SDC Fund	Parks SDC Fund	Public Works Admin Fund	Grants Fund	Total
<u>REVENUES:</u>						
Taxes and Assessments	\$ 149,264	\$ -	\$ -	\$ -	\$ -	\$ 149,264
Licenses and Permits	9,921	48,035	21,149	-	-	79,105
Charges for Services	103,297	-	-	-	-	103,297
Grants	25,655	-	-	-	48,451	74,106
Fines and Forfeitures	16,612	-	-	-	-	16,612
Investment Revenue	349	1,550	353	166	-	2,418
Other Revenue	25	-	-	-	15,600	15,625
Total Revenues	305,123	49,585	21,502	166	64,051	440,427
<u>EXPENDITURES:</u>						
General Government	-	-	-	-	47,274	47,274
Highways and Street	-	180	-	415,835	-	416,015
Culture and Recreation	370,141	-	-	-	-	370,141
Capital Outlay	44,631	-	-	-	-	44,631
Total Expenditures	414,772	180	-	415,835	47,274	878,061
Excess (Deficiency) of Revenues Over Expenditures	(109,649)	49,405	21,502	(415,669)	16,777	(437,634)
<u>OTHER FINANCING SOURCES (USES):</u>						
Operating Transfers In	119,500	-	-	413,000	2,000	534,500
Operating Transfers (Out)	(2,000)	(2,120)	(30,400)	-	-	(34,520)
Total Other Financing Sources (Uses)	117,500	(2,120)	(30,400)	413,000	2,000	499,980
Net Change In Fund Balances	7,851	47,285	(8,898)	(2,669)	18,777	62,346
Fund Balance, July 1, 2013	81,085	312,349	64,139	69,346	2,529	529,448
Fund Balance, June 30, 2014	\$ 88,936	\$ 359,634	\$ 55,241	\$ 66,677	\$ 21,306	\$ 591,794

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LIBRARY FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<u>REVENUES:</u>				
Taxes and Assessments	\$ 145,000	\$ 145,000	\$ 149,264	\$ 4,264
Intergovernmental	1,339	1,339	-	(1,339)
Licenses, Permits and Fees	9,500	9,500	9,921	421
Charges for Services	82,883	82,883	103,297	20,414
Grants and Contributions	25,200	25,200	25,655	455
Fines and Forfeitures	15,000	15,000	16,612	1,612
Investment Revenue	400	400	349	(51)
Miscellaneous Revenue	1,000	1,000	25	(975)
Total Revenues	280,322	280,322	305,123	24,801
<u>EXPENDITURES:</u>				
Personnel Services	348,650	348,650	314,660	(33,990)
Materials and Services	65,939	65,939	55,481	(10,458)
Capital Outlay	51,600	51,600	44,631	(6,969)
Contingency	21,633	21,633	-	(21,633)
Total Expenditures	487,822	487,822	414,772	(73,050)
Excess (Deficiency) of Revenues Over Expenditures	(207,500)	(207,500)	(109,649)	97,851
Fund Balance, July 1, 2013	90,000	90,000	81,085	(8,915)
Fund Balance, June 30, 2014	\$ -	\$ -	\$ 88,936	\$ 88,936

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET SDC FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Licenses, Permits and Fees	\$ 24,496	\$ 24,496	\$ 48,035	\$ 23,539
Investment Revenue	1,200	1,200	1,550	350
Total Revenues	25,696	25,696	49,585	23,889
<u>EXPENDITURES:</u>				
Materials and Services	106,000	106,000	180	(105,820)
Capital Outlay	150,000	150,000	-	(150,000)
Total Expenditures	256,000	256,000	180	(255,820)
Excess (Deficiency) of Revenues Over Expenditures	(230,304)	(230,304)	49,405	279,709
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(2,120)	(2,120)	(2,120)	-
Total Other Financing Sources (Uses)	(2,120)	(2,120)	(2,120)	-
Net Change In Fund Balance	(232,424)	(232,424)	47,285	279,709
Fund Balance, July 1, 2013	263,429	263,429	312,349	48,920
Fund Balance, June 30, 2014	\$ 31,005	\$ 31,005	\$ 359,634	\$ 328,629

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARKS SDC FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Licenses, Permits and Fees	\$ 8,440	\$ 8,440	\$ 21,149	\$ 12,709
Investment Revenue	120	120	353	233
Total Revenues	8,560	8,560	21,502	12,942
<u>EXPENDITURES:</u>				
Materials and Services	3,500	3,500	-	(3,500)
Capital Outlay	30,000	30,000	-	(30,000)
Total Expenditures	33,500	33,500	-	(33,500)
Excess (Deficiency) of Revenues Over Expenditures	(24,940)	(24,940)	21,502	46,442
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(30,400)	(30,400)	(30,400)	-
Total Other Financing Sources (Uses)	(30,400)	(30,400)	(30,400)	-
Net Change In Fund Balance	(55,340)	(55,340)	(8,898)	46,442
Fund Balance, July 1, 2013	60,000	60,000	64,139	4,139
Fund Balance, June 30, 2014	\$ 4,660	\$ 4,660	\$ 55,241	\$ 50,581

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC WORKS ADMINISTRATION FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 100	\$ 100	\$ 166	\$ 66
Miscellaneous Revenue	1,000	1,000	-	(1,000)
Total Revenues	1,100	1,100	166	(934)
<u>EXPENDITURES:</u>				
Personnel Services	327,758	327,758	314,766	(12,992)
Materials and Services	102,150	102,150	101,069	(1,081)
Contingency	20,192	20,192	-	(20,192)
Total Expenditures	450,100	450,100	415,835	(34,265)
Excess (Deficiency) of Revenues Over Expenditures	(449,000)	(449,000)	(415,669)	33,331
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	413,000	413,000	413,000	-
Total Other Financing Sources (Uses):	413,000	413,000	413,000	-
Net Change In Fund Balance	(36,000)	(36,000)	(2,669)	33,331
Fund Balance, July 1, 2013	36,000	36,000	69,346	33,346
Fund Balance, June 30, 2014	\$ -	\$ -	\$ 66,677	\$ 66,677

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GRANTS FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Grants	324,000	324,000	48,451	(275,549)
Miscellaneous Revenue	108,000	108,000	15,600	(92,400)
Total Revenues	432,000	432,000	64,051	(367,949)
<u>EXPENDITURES:</u>				
Personnel Services	97,000	97,000	19,843	(77,157)
Materials and Services	254,500	254,500	27,431	(227,069)
Capital Outlay	70,500	70,500	-	(70,500)
Total Expenditures	422,000	422,000	47,274	(374,726)
Excess (Deficiency) of Revenues Over Expenditures	10,000	10,000	16,777	6,777
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	2,000	2,000	2,000	-
Total Other Financing Sources (Uses)	2,000	2,000	2,000	-
Net Change In Fund Balance	12,000	12,000	18,777	6,777
Fund Balance, July 1, 2013	100	100	2,529	2,429
Fund Balance, June 30, 2014	\$ 12,100	\$ 12,100	\$ 21,306	\$ 9,206

Capital Projects Funds
(Major and Non-Major)

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FACILITIES DEVELOPMENT FUND (A Major Fund)

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 2,400	\$ 2,400	\$ 2,301	\$ (99)
Rents	44,946	44,946	36,941	(8,005)
Miscellaneous Revenue	10,000	10,000	-	(10,000)
Total Revenues	57,346	57,346	39,242	(18,104)
<u>EXPENDITURES:</u>				
Materials and Services	110,000	110,000	48,198	(61,802)
Capital Outlay	260,000	260,000	192,547	(67,453)
Contingency	140,000	140,000	-	(140,000)
Total Expenditures	510,000	510,000	240,745	(269,255)
Excess (Deficiency) of Revenues Over Expenditures	(452,654)	(452,654)	(201,503)	251,151
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	85,509	85,509	85,509	-
Total Other Financing Sources (Uses)	85,509	85,509	85,509	-
Net Change In Fund Balance	(367,145)	(367,145)	(115,994)	251,151
Fund Balance, July 1, 2013	499,000	499,000	494,323	(4,677)
Fund Balance, June 30, 2014	\$ 131,855	\$ 131,855	\$ 378,329	\$ 246,474

CITY OF STAYTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARKS CONSTRUCTION FUND (A Non-Major Fund)

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<u>REVENUES:</u>				
Taxes and Assesments	\$ 10,000	\$ 10,000	\$ 9,859	\$ (141)
Grants	77,390	77,390	35,000	(42,390)
Miscellaneous Revenue	11,000	11,000	-	(11,000)
Total Revenues	98,390	98,390	44,859	(53,531)
<u>EXPENDITURES:</u>				
Materials and Services	14,700	39,700	33,773	(5,927)
Capital Outlay	100,300	75,300	-	(75,300)
Contingency	13,390	13,390	-	(13,390)
Total Expenditures	128,390	128,390	33,773	(94,617)
Excess of Revenues Over (Under) Expenditures	(30,000)	(30,000)	11,086	41,086
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	30,000	30,000	30,000	-
Net Change In Fund Balance	-	-	41,086	41,086
Fund Balance, July 1, 2013	-	-	-	-
Fund Balance, June 30, 2014	\$ -	\$ -	\$ 41,086	\$ 41,086

Additional Supporting
Schedules

CITY OF STAYTON

SCHEDULE OF PROPERTY TAXES

For the Fiscal Year Ended June 30, 2014

	General Fund Permanent Rate Tax, Subject to Measure 5	Local Option	Total
Assessed Valuation, 2013-14 Tax Roll	\$ 532,499,150	\$ 532,499,150	\$ 532,499,150
General Fund Permanent Rate Levy, Per \$1,000	0.0033280		
Local Option Levy Rate, Per \$1,000		0.0006000	
Amount Levy Rates Will Raise	1,772,157	319,499	2,091,657
Net Tax Levy Imposed	\$ 1,772,157	\$ 319,499	\$ 2,091,657

	Uncollected Balance July 1, 2013	Collector's Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2014
2013-14	\$ 2,091,657	\$ (65,506)	\$ 1,963,788	\$ 62,363
2012-13	69,403	5,650	42,822	32,231
2011-12	35,432	1,353	18,302	18,483
2010-11	22,663	(1,454)	14,321	6,888
2009-10	7,868	4,951	10,329	2,490
2008-09	2,608	(128)	1,082	1,398
2007-08 & Prior	6,058	(905)	1,118	4,035
Total Cash Collections	\$ 2,235,689	\$ (56,039)	\$ 2,051,762	\$ 127,888
Less Accrued Revenue - June 30, 2013			(29,375)	
Add Accrued Revenue - June 30, 2014			33,739	
Total Property Tax Revenue			\$ 2,056,126	

Revenue Reconciliation by Fund:	Prior Year Taxes	Current Year Taxes	Total	Receivable
Permanent Rate Measure 5 Levy				
General Fund	\$ 57,396	\$ 1,684,945	\$ 1,742,341	\$ 108,669
Local Option Levy:				
General Fund - Parks	-	9,859	9,859	-
Library Fund	8,595	140,669	149,264	9,216
Swimming Pool Fund	9,414	145,248	154,662	10,003
Totals	\$ 75,405	\$ 1,980,721	\$ 2,056,126	\$ 127,888

CITY OF STAYTON

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2014

	<u>Outstanding Balance July 1, 2013</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2014</u>	<u>Due within One Year</u>
BUSINESS-TYPE ACTIVITIES					
OEDD Bonds, series 1993 for special public works projects					
- Original Balance \$510,000					
Dated: December 21, 1993					
Interest Rate: 5.19%					
Principal	\$ 41,930	\$ -	\$ 41,930	\$ -	\$ -
Interest	-	2,176	2,176	-	-
Totals	<u>\$ 41,930</u>	<u>\$ 2,176</u>	<u>\$ 44,106</u>	<u>\$ -</u>	<u>\$ -</u>
Limited Tax Debt Bonds payable to US Bank for refunding of previously issued sewer bonds					
- Original Balance \$5,810,000					
Dated: January 3, 2013					
Interest Rate: 2.75%					
Principal	\$ 5,560,000		\$ 319,999	\$ 5,240,001	\$ 325,000
Interest	-	164,641	164,641	-	158,250
Totals	<u>\$ 5,560,000</u>	<u>\$ 164,641</u>	<u>\$ 484,640</u>	<u>\$ 5,240,001</u>	<u>\$ 483,250</u>
Business Oregon Water State Revolving Loan - Original Balance \$5,138,700					
Dated: February 18, 2009					
Interest Rate: 3.4%					
Principal	\$ 4,957,128	\$ -	\$ 190,268	\$ 4,766,860	\$ 196,738
Interest	-	168,542	168,542	-	162,073
Totals	<u>\$ 4,957,128</u>	<u>\$ 168,542</u>	<u>\$ 358,810</u>	<u>\$ 4,766,860</u>	<u>\$ 358,811</u>
Sewer Revenue Bonds, US Department of Agriculture for additions to sewer plant					
- Original Balance \$8,316,000					
Dated: September 6, 2012					
Interest Rate: 2.75%					
Principal	\$ 8,316,000		\$ 116,757	\$ 8,199,243	\$ 119,968
Interest	-	228,690	228,690	-	225,479
Totals	<u>\$ 8,316,000</u>	<u>\$ 228,690</u>	<u>\$ 345,447</u>	<u>\$ 8,199,243</u>	<u>\$ 345,447</u>
TOTAL DEBT AGREEMENTS:					
Principal	\$ 18,875,058	\$ -	\$ 668,954	\$ 18,206,104	\$ 641,706
Interest	-	564,049	564,049	-	545,802
Totals	<u><u>\$ 18,875,058</u></u>	<u><u>\$ 564,049</u></u>	<u><u>\$ 1,233,003</u></u>	<u><u>\$ 18,206,104</u></u>	<u><u>\$ 1,187,508</u></u>

CITY OF STAYTON

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

For the Fiscal Year Ended June 30, 2014

	Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year- end Balance
<u>Business-Type Activities</u>					
Full Faith and Credit Refunding Obligations	2015	483,250	325,000	158,250	4,915,001
US Bank N.A. Dated: January 3, 2013	2016	481,750	330,000	151,750	4,585,001
Original Balance -\$5,810,000	2017	480,150	335,000	145,150	4,250,001
	2018	480,100	345,000	135,100	3,905,001
	2019	479,750	355,000	124,750	3,550,001
	2020	479,100	365,000	114,100	3,185,001
	2021	478,150	375,000	103,150	2,810,001
	2022	473,150	385,000	88,150	2,425,001
	2023	472,750	400,000	72,750	2,025,001
	2024	470,750	410,000	60,750	1,615,001
	2025	473,450	425,000	48,450	1,190,001
	2026	470,700	435,000	35,700	755,001
	2027	467,650	445,000	22,650	310,001
	2028	319,301	310,001	9,300	-
Totals		\$ 6,510,001	\$ 5,240,001	\$ 1,270,000	
Business Oregon Water State Revolving Loan	2015	358,811	196,738	162,073	4,570,122
Original Balance \$5,138,700	2016	358,811	203,427	155,384	4,366,695
Dated February 18, 2009	2017	358,811	210,343	148,468	4,156,352
	2018	358,811	217,495	141,316	3,938,857
	2019	358,811	224,890	133,921	3,713,967
	2020	358,811	232,536	126,275	3,481,431
	2021	358,811	240,442	118,369	3,240,989
	2022	358,811	248,617	110,194	2,992,372
	2023	358,811	257,070	101,741	2,735,302
	2024	358,811	265,811	93,000	2,469,491
	2025	358,811	274,848	83,963	2,194,643
	2026	358,811	284,193	74,618	1,910,450
	2027	358,811	293,856	64,955	1,616,594
	2028	358,811	303,847	54,964	1,312,747
	2029	358,811	314,178	44,633	998,569
	2030	358,811	324,860	33,951	673,709
	2031	358,811	335,905	22,906	337,804
	2032	349,292	337,807	11,485	-
Totals		\$ 6,449,079	\$ 4,766,863	\$ 1,682,216	

Continued

CITY OF STAYTON

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT (Continued)

For the Fiscal Year Ended June 30, 2014

	Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year- end Balance
Sewer Revenue Bonds, US Department of Agriculture Water System Improvement Project	2015	345,447	119,968	225,479	8,079,275
Original Balance \$8,316,000	2016	345,447	123,267	222,180	7,956,008
Dated September 6, 2012	2017	345,447	126,657	218,790	7,829,351
	2018	345,447	130,140	215,307	7,699,211
	2019	345,447	133,719	211,728	7,565,492
	2020	345,447	137,396	208,051	7,428,096
	2021	345,447	141,174	204,273	7,286,922
	2022	345,447	145,057	200,390	7,141,865
	2023	345,447	149,046	196,401	6,992,819
	2024	345,447	153,144	192,303	6,839,675
	2025	345,447	157,356	188,091	6,682,319
	2026	345,447	161,683	183,764	6,520,636
	2027	345,447	166,130	179,317	6,354,506
	2028	345,447	170,698	174,749	6,183,808
	2029	345,447	175,392	170,055	6,008,416
	2030	345,447	180,216	165,231	5,828,200
	2031	345,447	185,171	160,276	5,643,029
	2032	345,447	190,264	155,183	5,452,765
	2033	345,447	195,496	149,951	5,257,269
	2034	345,447	200,872	144,575	5,056,397
	2035	345,447	206,396	139,051	4,850,001
	2036	345,447	212,072	133,375	4,637,929
	2037	345,447	217,904	127,543	4,420,025
	2038	345,447	223,896	121,551	4,196,129
	2039	345,447	230,053	115,394	3,966,076
	2040	345,447	236,380	109,067	3,729,696
	2041	345,447	242,880	102,567	3,486,816
	2042	345,447	249,560	95,887	3,237,256
	2043	345,447	256,422	89,025	2,980,834
	2044	345,447	263,474	81,973	2,717,360
	2045	345,447	270,720	74,727	2,446,640
	2046	345,447	278,164	67,283	2,168,476
	2047	345,447	285,814	59,633	1,882,662
	2048	345,447	293,674	51,773	1,588,988
	2049	345,447	301,750	43,697	1,287,238
	2050	345,447	310,048	35,399	977,190
	2051	345,447	318,574	26,873	658,616
	2052	345,447	327,335	18,112	331,281
	2053	345,447	331,281	9,110	-
Totals		13,472,433	8,199,243	5,268,134	

ACCOMPANYING
INFORMATION

CITY OF STAYTON
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION
As of June 30, 2014

To the Governing Body of the City of Stayton
Stayton, Oregon

We have audited the basic financial statements of the City of Stayton as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways and roads (ORS Chapters 294, 368 & 373).**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the City Council and management of 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.



Steve Tuchscherer, CPA, PC

Roseburg, Oregon
December 19, 2014

CITY OF STAYTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2014

Grantor/Lender Program and Title	<u>Loan Balances</u>
ENVIRONMENTAL PROTECTION AGENCY Passed through Oregon Economic and Community Development Department Capitalization Grants for Safe Drinking Water	\$ 4,766,860
U.S. DEPARTMENT OF AGRICULTURE Water and Waste Water Systems for Rural Communities Revolving Loan	8,199,243
TOTAL FEDERAL LOAN BALANCES	\$ 12,966,103

This schedule has been prepared using the modified accrual basis of accounting.



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

Honorable Mayor and City Council
City of Stayton, Oregon

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Stayton as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Stayton's basic financial statements and have issued my report thereon dated December 19, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Stayton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Stayton's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Stayton'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steve Tuchscherer, CPA
December 19, 2014