# CITY OF STAYTON

**Stayton, Oregon**

# ANNUAL FINANCIAL REPORT
**For the Year Ended June 30, 2017**

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# CITY OF STAYTON
# OFFICERS AND MEMBERS OF THE GOVERNING BODY
**For the Year Ended June 30, 2017**

***CITY ADMINISTRATOR***

Keith Campbell

***MAYOR***

Henry Porter

***CITY COUNCIL****

Brian Quigley

Priscilla Glidewell

Joe Usselman

Mark Kronquist

*All Councilors receive mail at the City address

***CITY ADDRESS***

362 N. Third Avenue
Stayton, Oregon 97383

**CITY OF STAYTON**

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Boldt Carlisle + Smith
CERTIFIED PUBLIC ACCOUNTANTS
The right people. The right answers.

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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

**INDEPENDENT AUDITOR'S REPORT (Continued)**

***Opinions***

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

***Other Matters***

*Emphasis-of-Matter*

As discussed in Note 1R to the financial statements, the government implemented GASB statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans* for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

*Required Supplementary Information*

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

*Other Information*

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

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

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**Reports on Other Legal and Regulatory Requirements**

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Report on Other Legal and Regulatory Requirements*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our reported dated May 23, 2018, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
May 23, 2018

By:

Bradley G. Bingenheimer, Member

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Stayton offers readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

**Financial Highlights**

The City's governmental activities assets totaled $14.2 million at June 30, 2017, consisting of $9.3 million in net capital assets, $4.4 million in cash and cash equivalents (including internal balances of -.6 million) and $0.5 million in receivables and other assets. The City's governmental activities liabilities totaled $2.6 million at June 30, 2017, consisting of $2.4 million in noncurrent liabilities and $0.2 million in accounts payable, and other liabilities. The City's total net position was $12.9 million of which $9.3 million is invested in capital assets, $1.6 million is restricted and the remaining $2.0 million is unrestricted.

The City's governmental activities net position increased by $0.1 million or 0.4 percent. Overall governmental activities revenue decreased by $100,000 or 2.1 percent. The most significant revenue decreases were charges for services (-$96,000) and capital grants and contributions (-$215,000). Revenue increases include; property taxes $109,000, miscellaneous revenue $27,000, investment earnings $33,000, intergovernmental $36,000 and franchise fees $15,000.

The City's business-type activities assets totaled $27.0 million at June 30, 2017, consisting of $21.6 million in capital assets, $4.6 million in cash and cash equivalents (including internal balances of .6 million) and $0.8 million in receivables and other assets. The City's business-type activities liabilities totaled $17.5 million at June 30, 2017, consisting of $16.4 million in noncurrent liabilities, $0.8 million due within one year and $0.3 million in accounts payable and other liabilities. Total net position was $10.0 million of which $5.0 million is invested in capital assets, net of related debt, $0.8 million is restricted and the remaining $4.2 million is unrestricted.

The City's business-type activities net position increased by $2.1 million or 26 percent. Business-type activities revenue increased by $1.2 million or 22 percent. Capital grants and contributions were $1.2 million in fiscal year 2017 compared to $74,000 in fiscal year 2016. Charges for services increased $29,000 or 0.6 percent.

The City restated its net position as of June 30, 2016 for its governmental activities as follows:

- Net position for the Swimming Pool Fund of $2,620 to account for accounts payable not recorded in the previous year
- Net position for the General Fund of $9,151 to account for accounts payable not recorded in the previous year
- Net position increased $230,000 due to recognize an internal loan previously recorded as a transfer
- Impacts to the City's net position resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement Number 75, with the effects of the accounting change applied retroactively include:
    - An increase of $7,290 to record deferred outflows
    - A reduction of $65,783 due to long-term long-term obligations – other postemployment benefit obligations

The City restated its net position as of June 30, 2016 for its business-type activities as follows:

- Net position decreased $230,000 to recognize an internal loan previously recorded as a transfer
- Impacts to the City's net position resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement Number 75, with the effects of the accounting change applied retroactively include:
    - An increase of $9,338 to record deferred outflows
    - A reduction of $84,263 due to long-term long-term obligations – other postemployment benefit obligations

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

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

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

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

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

**Other Supplementary Information.** The combining statements referred to earlier in connection with non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the required supplementary information.

**Table 1 - Net Position as of June 30**
(amounts in thousands)

| | Governmental | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current and other assets | $4,864 | $4,449 | $5,413 | $4,698 | $10,277 | $9,147 |
| Capital assets | 9,302 | 9,236 | 21,634 | 21,161 | 30,936 | 30,397 |
| Total assets | 14,166 | 13,685 | 27,047 | 25,859 | 41,213 | 39,544 |
| Deferred outflows of resources | 1,364 | 517 | 471 | 325 | 1,836 | 842 |
| Liabilities | | | | | | |
| Long-term liabilities | 2,381 | 1,026 | 16,424 | 16,836 | 18,805 | 17,862 |
| Other liabilities | 189 | 227 | 1,050 | 1,037 | 1,239 | 1,264 |
| Total liabilities | 2,570 | 1,253 | 17,474 | 17,873 | 20,044 | 19,126 |
| Deferred inflows of resources | 54 | 260 | 37 | 71 | 92 | 331 |
| Net position: | | | | | | |
| Net investment in capital assets | 9,302 | 9,237 | 4,994 | 4,386 | 14,295 | 13,623 |
| Restricted for: | | | | | | |
| Highways and streets | 711 | 571 | - | - | 711 | 571 |
| Swimming pool | 67 | 73 | - | - | 67 | 73 |
| Capital projects | 713 | 511 | 796 | 457 | 1,509 | 968 |
| Other purposes | 107 | - | - | - | 107 | - |
| Unrestricted | 2,006 | 2,998 | 4,217 | 3,395 | 6,222 | 5,693 |
| Total net position | $12,906 | $12,690 | $10,007 | $8,238 | $22,913 | $20,928 |

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Stayton, assets exceeded liabilities by $22.9 million as of June 30, 2017.

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

**Table 2 - Changes in Net Position**

(amounts in thousands)

| | Governmental | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | $422 | $518 | $5,034 | $5,005 | $5,456 | $5,523 |
| Operating grants and contributions | 41 | 51 | - | - | 41 | 51 |
| Capital grants and contributions | 338 | 553 | 1,221 | 74 | 1,559 | 627 |
| General revenue | | | | | | - |
| Property taxes | 2,271 | 2,162 | - | - | 2,271 | 2,162 |
| Franchise fees | 830 | 815 | - | - | 830 | 815 |
| Intergovernmental | 682 | 646 | - | - | 682 | 646 |
| Miscellaneous | 162 | 135 | 35 | 70 | 197 | 205 |
| Investment earnings | 55 | 22 | 50 | 30 | 105 | 52 |
| Total revenue | 4,801 | 4,902 | 6,340 | 5,179 | 11,141 | 10,081 |
| Expenses | | | | | | |
| Governmental activites | | | | | | |
| General government | 1,358 | 1,208 | - | - | 1,358 | 1,208 |
| Public safety | 2,186 | 2,514 | - | - | 2,186 | 2,514 |
| Highways and streets | 485 | 832 | - | - | 485 | 832 |
| Culture and recreation | 938 | 914 | - | - | 938 | 914 |
| Business-type activities | | | | | - | |
| Water | - | - | 1,385 | 1,363 | 1,385 | 1,363 |
| Sewer | - | - | 2,491 | 2,370 | 2,491 | 2,370 |
| Stormwater | - | - | 168 | 434 | 168 | 434 |
| Total expenses | 4,967 | 5,468 | 4,044 | 4,167 | | 9,635 |
| Change in net position before transfers | - 166 | - 566 | 2,296 | 1,012 | 2,130 | 446 |
| Transfers | 222 | 872 | - 222 | - 872 | - | - |
| Change in net position | 56 | 306 | 2,074 | 140 | 2,130 | 446 |
| Net position - beginning | 12,690 | 37,493 | 8,238 | 18,954 | 20,928 | 56,447 |
| Prior period adjustment | 160 | - 25,109 | - 305 | - 10,856 | - 145 | - 35,965 |
| Net position - beginning, as restated | 12,850 | 12,384 | 7,933 | 8,098 | 20,783 | 20,482 |
| Net position - ending | $12,906 | $12,690 | $10,007 | $8,238 | $22,913 | $20,928 |

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

**Governmental activities.** Governmental activities increased the net position by $56,000.

**Financial Analysis of the Government's Funds**

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

***Governmental funds***. The focus of the City of Stayton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Stayton's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Stayton's governmental funds reported combined ending fund balances of $5.0 million an increase of $0.7 million from the previous year-end balance.

The General Fund is the chief operating fund of the City of Stayton. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1.3 million.

The fund balance of the City's General Fund increased by $203,674 during the current fiscal year. The fund balance of the Street Fund increased by $139,812.

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

As of June 30, 2017, the unrestricted net position of the propriety funds are as follows:

- Water Fund - $0.9 million
- Sewer Fund - $3.2 million
- Stormwater Fund – ($99,367)
- Stormwater Construction Fund – ($9,871)

**General Fund Budgetary Highlights**

General Fund actual revenue of $3.3 million exceeded budgeted revenue of $3.1 million. Fines and forfeiture revenue was $84,448 greater than budgeted. Expenditures for the General Fund were underspent by $0.34 million when compared to the budget ($3.41 million actual to $3.75 million budgeted). The under spending can be attributed to City staff restraining spending throughout the fiscal year. The General Fund fund balance increased $203,674, 17 percent during the year.

## Capital Asset and Debt Administration

**Capital assets.** The City of Stayton's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to $30.9 million (net of accumulated depreciation). During fiscal year 2017 the City acquired $0.4 million of governmental assets and $1.1 million of business-type assets, while incurring $0.9 million in depreciation expense.

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

The following table summarizes the City of Stayton's capital assets as of June 30, 2017:

**Table 3 Capital Assets as of June 30th**
(net of depreciation, in thousands)

| | Governmental | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | $ 1,759 | $ 1,759 | $ 1,338 | $ 283 | $ 3,097 | $ 2,042 |
| Buildings and improvements | 3,175 | 3,247 | 4,469 | 4,596 | 7,644 | 7,843 |
| Equipment and vehicles | 628 | 624 | 755 | 792 | 1,383 | 1,416 |
| Infrastructure | 3,740 | 3,606 | 15,015 | 15,489 | 18,755 | 19,095 |
| Construction in progress | - | - | 56 | - | 56 | - |
| Capital assets, net of depreciation | $ 9,302 | $ 9,236 | $ 21,633 | $ 21,160 | $ 30,935 | $ 30,396 |

Additional information on the City of Stayton's capital assets can be found in note 5.

**Long-term debt**. At the end of fiscal year 2017, the City of Stayton had total long-term liabilities outstanding of $16.6 million. During the fiscal year $0.7 million of scheduled principal was repaid.

**Table 4 - Outstanding Long-term Debt Obligations as of June 30th**
(in thousands)

| | Governmental | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Bonds payable | $ - | $ - | $ 16,640 | $ 17,344 | $ 16,640 | $ 17,344 |

Additional information on the City of Stayton's long-term debt can be found in note 8.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

## Economic Factors and Next Year's Budgets and Rates

In preparing the budget for fiscal year 2017-18, inflation was low, property values were showing modest increases, and population growth was very modest. Therefore, property taxes were budgeted to increase 3 percent, utility rates and street fees were increased by the estimated inflation index of 2 percent and population growth was budgeted at less than 0.5 percent.

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

## Requests for information

This financial report is designed to provide a general overview of the City of Stayton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 362 N. 3rd Avenue, Stayton, 97383.

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# BASIC FINANCIAL STATEMENTS

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**CITY OF STAYTON**

**STATEMENT OF NET POSITION**
**June 30, 2017**

| | Governmental Activities | Business-type Activities | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 4,998,973 | $ 4,009,010 | $ 9,007,983 |
| Internal balances | (585,166) | 585,166 | - |
| Receivables, net | 450,466 | 401,854 | 852,320 |
| Inventory | - | 417,246 | 417,246 |
| Capital assets: | | | |
| Land and construction in progress | 1,759,203 | 1,394,420 | 3,153,623 |
| Other capital assets, net | 7,542,511 | 20,238,991 | 27,781,502 |
| TOTAL ASSETS | 14,165,987 | 27,046,687 | 41,212,674 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Refunded debt charges | - | 53,888 | 53,888 |
| Pension related items | 1,356,506 | 406,576 | 1,763,082 |
| Other postemployment benefit related items | 7,908 | 10,958 | 18,866 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 1,364,414 | 471,422 | 1,835,836 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | 45,007 | 46,301 | 91,308 |
| Accrued interest payable | - | 196,503 | 196,503 |
| Deposits | 1,500 | 32,957 | 34,457 |
| Long-term liabilities: | | | |
| Due within one year | 142,762 | 774,099 | 916,861 |
| Due in more than one year | 2,380,983 | 16,424,216 | 18,805,199 |
| TOTAL LIABILITIES | 2,570,252 | 17,474,076 | 20,044,328 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension related items | 54,384 | 37,141 | 91,525 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 54,384 | 37,141 | 91,525 |
| **NET POSITION** | | | |
| Net investment in capital assets | 9,301,714 | 4,993,590 | 14,295,304 |
| Restricted for: | | | |
| Highways and streets | 711,283 | - | 711,283 |
| Swimming pool | 67,629 | - | 67,629 |
| Capital projects | 712,595 | 796,567 | 1,509,162 |
| Other purposes | 107,089 | - | 107,089 |
| Unrestricted | 2,005,455 | 4,216,735 | 6,222,190 |
| TOTAL NET POSITION | $ 12,905,765 | $ 10,006,892 | $ 22,912,657 |

***See accompanying notes***

**CITY OF STAYTON**

**STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2017**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Totals |
| **Governmental activities:** | | | | | | | |
| General government | $ 1,357,571 | $ 17,298 | $ - | $ - | $ (1,340,273) | | $ (1,340,273) |
| Public safety | 2,185,568 | 223,466 | 20,557 | - | (1,941,545) | | (1,941,545) |
| Highways and streets | 484,470 | 87,943 | - | 310,782 | (85,745) | | (85,745) |
| Culture and recreation | 938,201 | 93,001 | 81,051 | 26,775 | (737,374) | | (737,374) |
| TOTAL GOVERNMENTAL ACTIVITIES | 4,965,810 | 421,708 | 101,608 | 337,557 | (4,104,937) | | (4,104,937) |
| **Business-type activities:** | | | | | | | |
| Water | 1,384,741 | 1,733,328 | - | 41,099 | | $ 389,686 | 389,686 |
| Wastewater | 2,491,137 | 3,026,899 | - | 32,863 | | 568,625 | 568,625 |
| Stormwater | 168,590 | 273,220 | - | 1,147,086 | | 1,251,716 | 1,251,716 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 4,044,468 | 5,033,447 | - | 1,221,048 | | 2,210,027 | 2,210,027 |
| TOTALS | $ 9,010,278 | $ 5,455,155 | $ 101,608 | $ 1,558,605 | (4,104,937) | 2,210,027 | (1,894,910) |
| **General revenues:** | | | | | | | |
| Taxes levied for: | | | | | | | |
| General purposes | | | | | 1,873,563 | - | 1,873,563 |
| Specific purposes | | | | | 337,390 | - | 337,390 |
| Franchise fees | | | | | 830,023 | - | 830,023 |
| Fuel taxes | | | | | 462,813 | - | 462,813 |
| Grants and contributions not restricted to specific programs | | | | | 218,660 | - | 218,660 |
| Rent | | | | | 71,555 | - | 71,555 |
| Unrestricted investment earnings | | | | | 55,202 | 50,369 | 105,571 |
| Miscellaneous | | | | | 89,853 | 34,761 | 124,614 |
| **Transfers** | | | | | 222,115 | (222,115) | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | 4,161,174 | (136,985) | 4,024,189 |
| Change in net position | | | | | 56,237 | 2,073,042 | 2,129,279 |
| Net position - beginning | | | | | 12,689,792 | 8,238,436 | 20,928,228 |
| Prior period adjustment | | | | | 159,736 | (304,586) | (144,850) |
| Net position - ending | | | | | $ 12,905,765 | $ 10,006,892 | $ 22,912,657 |

***See accompanying notes***

**CITY OF STAYTON**

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**June 30, 2017**

| | General | Street | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,086,622 | $ 663,369 | $ 2,751,647 | $ 4,501,638 |
| Receivables | 308,165 | 47,999 | 94,302 | 450,466 |
| Due from other funds | 82,135 | - | 207,600 | 289,735 |
| TOTAL ASSETS | $ 1,476,922 | $ 711,368 | $ 3,053,549 | $ 5,241,839 |
| **LIABILITIES** | | | | |
| Accounts payable and accrued liabilities | $ 25,182 | $ 85 | $ 19,740 | $ 45,007 |
| Due to other funds | - | - | 82,135 | 82,135 |
| Consumer deposits | 1,500 | - | - | 1,500 |
| TOTAL LIABILITIES | 26,682 | 85 | 101,875 | 128,642 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenue | 60,912 | - | 10,977 | 71,889 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 60,912 | - | 10,977 | 71,889 |
| **FUND BALANCES** | | | | |
| Restricted for: | | | | |
| Highways and streets | - | 711,283 | - | 711,283 |
| Swimming pool | - | - | 62,156 | 62,156 |
| Capital projects | - | - | 1,509,162 | 1,509,162 |
| Other purposes | 107,089 | - | - | 107,089 |
| Committed for: | | | | |
| Capital projects | - | - | 1,195,295 | 1,195,295 |
| Library programs | - | - | 206,773 | 206,773 |
| Unassigned | 1,282,239 | - | (32,689) | 1,249,550 |
| TOTAL FUND BALANCES | 1,389,328 | 711,283 | 2,940,697 | 5,041,308 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 1,476,922 | $ 711,368 | $ 3,053,549 | |

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

| | |
|---|---|
| *Amounts reported for governmental activities in the statement of net position are different because:* | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 9,301,714 |
| The government-wide statements report as a deferred outflow, contributions made to OPERS subsequent to the measurement date of June 30, 2016 and changes in assumptions and investment returns related to its participation in OPERS and the retirement plan for employees of City of Stayton | 1,356,506 |
| The government-wide statements report as a deferred outflow, contributions made subsequent to the measurement date of June 30, 2016 and the net difference between projected and actual earnings related to its participation in the Retiree Health Insurance Account for employees of the City of Stayton | 7,908 |
| The government-wide statements report a deferred inflow related to changes in assumptions and investment returns related to participation in OPERS and the retirement plan for employees of City of Stayton | (54,384) |
| Internal service funds are used by management to charge the costs of centralized services and facilities maintenance services to individual funds. A portion of the assets and liabilities of the internal service funds is included in governmental activities in the statement of net position | 501,136 |
| Internal balances relating to water, wastewater, and stormwater system development charges are due from the governmental activities to the business-type activities on the statement of net position | (796,567) |
| Other long-term assets are not available for current period expenditures and, therefore, are reported as unavailable revenue in the funds | 71,889 |
| Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (2,523,745) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | $ 12,905,765 |

***See accompanying notes***

# CITY OF STAYTON

## STATEMENT OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended June 30, 2017

| | General | Street | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | $ 1,880,511 | $ - | $ 341,495 | $ 2,222,006 |
| Franchise fees | 830,023 | - | - | 830,023 |
| Licenses, permits and fees | 17,948 | - | 2,180 | 20,128 |
| Fines and forfeitures | 214,948 | - | 10,821 | 225,769 |
| Charges for services | 7,973 | 87,393 | 79,671 | 175,037 |
| Donations | - | - | 18,000 | 18,000 |
| System development charges | - | - | 320,816 | 320,816 |
| Intergovernmental | 221,279 | 581,591 | 2,696 | 805,566 |
| Grants | 17,938 | - | 60,356 | 78,294 |
| Rent | 19,510 | - | 1,332 | 20,842 |
| Interest | 17,849 | 7,997 | 31,697 | 57,543 |
| Miscellaneous | 89,927 | 700 | - | 90,627 |
| TOTAL REVENUES | 3,317,906 | 677,681 | 869,064 | 4,864,651 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| General government | 1,238,496 | - | - | 1,238,496 |
| Public safety | 1,950,376 | - | - | 1,950,376 |
| Highways and streets | 110,156 | 183,100 | - | 293,256 |
| Culture and recreation | 49,615 | - | 710,789 | 760,404 |
| Capital outlay | 60,379 | 223,669 | 112,978 | 397,026 |
| TOTAL EXPENDITURES | 3,409,022 | 406,769 | 823,767 | 4,639,558 |
| Excess (deficiency) of revenues over expenditures | (91,116) | 270,912 | 45,297 | 225,093 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 768,946 | - | 455,830 | 1,224,776 |
| Transfers out | (474,156) | (131,100) | (230,913) | (836,169) |
| TOTAL OTHER FINANCING SOURCES (USES) | 294,790 | (131,100) | 224,917 | 388,607 |
| Net change in fund balances | 203,674 | 139,812 | 270,214 | 613,700 |
| Fund balances at beginning of year | 1,194,805 | 571,471 | 2,443,104 | 4,209,380 |
| Prior period adjustment | (9,151) | - | 227,380 | 218,229 |
| Fund balance at end of year | $ 1,389,328 | $ 711,283 | $ 2,940,698 | $ 5,041,309 |

***See accompanying notes***

**CITY OF STAYTON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2017**

| | | |
|---|---|---|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | | $ 613,700 |
| *Amounts reported for governmental activities in the Statement of Activities are different because of the following* | | |
| Governmental funds report the acquistion of capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between those two amounts is: | | |
| Acquisition of capital assets | $ 395,063 | |
| Depreciation | (340,261) | 54,802 |
| The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position | | (503) |
| The changes in net pension liability (asset) and deferred inflows and outflows related to the entity's participation in OPERS and the Retirement Plan for Employees of the City of Stayton are reported as pension expense on the statement of activities | | (247,055) |
| The changes in net other postemployment benefit obligation and deferred outflows related to the entity's participation in the Retirement Health Insurance Account for employees of the City are reported as other postemployment benefit revenue on the statement of activities | | 2,867 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows: | | |
| Taxes | | (11,053) |
| Internal service funds are used by management to charge the costs of public works services to individual funds. A portion of the assets and liabilities of the internal service funds is included in governmental activities in the statement of net position | | 141,637 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated absences | | (1,506) |
| The change in system development charges held for the business-type activities by the governmental activities is reported as a revenue by the business-type activities | | (339,066) |
| The transfer of the internal service fund to business-type activities is reported as an additional transfer in the governmental activities | | (157,585) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | | $ 56,238 |

***See accompanying notes***

## CITY OF STAYTON

### GENERAL FUND
### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
### For the Year Ended June 30, 2017

| | Budget | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Variance |
| **REVENUES** | | | | |
| Property taxes | $ 1,875,100 | $ 1,875,100 | $ 1,880,511 | $ 5,411 |
| Franchise fees | 847,600 | 847,600 | 830,023 | (17,577) |
| Licenses, permits and fees | 32,700 | 32,700 | 17,948 | (14,752) |
| Fines and forfeitures | 130,500 | 130,500 | 214,948 | 84,448 |
| Charges for services | 4,100 | 4,100 | 7,973 | 3,873 |
| Intergovernmental | 180,500 | 180,500 | 221,279 | 40,779 |
| Grants | - | - | 17,938 | 17,938 |
| Rent | 20,000 | 20,000 | 19,510 | (490) |
| Interest | - | - | 17,849 | 17,849 |
| Miscellaneous | 5,000 | 5,000 | 89,927 | 84,927 |
| TOTAL REVENUES | 3,095,500 | 3,095,500 | 3,317,906 | 222,406 |
| **EXPENDITURES** | | | | |
| Police | 2,087,400 | 2,087,400 | 2,010,755 | 76,645 |
| Planning | 146,700 | 146,700 | 137,036 | 9,664 |
| Community center | 62,600 | 62,600 | 49,615 | 12,985 |
| Municipal court | 99,700 | 99,700 | 98,335 | 1,365 |
| City council and administration | 980,300 | 1,025,300 | 1,003,125 | 22,175 |
| Non-departmental | 60,000 | 60,000 | - | 60,000 |
| Street lights | 115,000 | 115,000 | 110,156 | 4,844 |
| Contingency | 200,700 | 155,700 | - | 155,700 |
| TOTAL EXPENDITURES | 3,752,400 | 3,752,400 | 3,409,022 | 343,378 |
| Excess (deficiency) of revenues over expenditures | (656,900) | (656,900) | (91,116) | 565,784 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 683,700 | 683,700 | 768,946 | 85,246 |
| Transfers out | (473,000) | (473,000) | (474,156) | (1,156) |
| TOTAL OTHER FINANCING SOURCES (USES) | 210,700 | 210,700 | 294,790 | 84,090 |
| Net change in fund balance | (446,200) | (446,200) | 203,674 | 649,874 |
| Fund balance at beginning of year | 1,057,258 | 1,057,258 | 1,194,805 | 137,547 |
| Prior period adjustment | - | - | (9,151) | (9,151) |
| Fund balance at end of year | $ 611,058 | $ 611,058 | $ 1,389,328 | $ 778,270 |

***See accompanying notes***

**CITY OF STAYTON**

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

| | Budget | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Variance |
| **REVENUES** | | | | |
| Charges for services | $ 87,000 | $ 87,000 | $ 87,393 | $ 393 |
| Intergovernmental | 535,000 | 535,000 | 581,591 | 46,591 |
| Interest | 1,900 | 1,900 | 7,997 | 6,097 |
| Miscellaneous | - | - | 700 | 700 |
| TOTAL REVENUES | 623,900 | 623,900 | 677,681 | 53,781 |
| **EXPENDITURES** | | | | |
| Personal services | 88,600 | 92,600 | 85,984 | 6,616 |
| Materials and services | 201,900 | 201,900 | 97,116 | 104,784 |
| Capital outlay | 300,000 | 300,000 | 223,669 | 76,331 |
| Contingency | 538,751 | 534,751 | - | 534,751 |
| TOTAL EXPENDITURES | 1,129,251 | 1,129,251 | 406,769 | 722,482 |
| Excess (deficiency) of revenues over expenditures | (505,351) | (505,351) | 270,912 | 776,263 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (131,100) | (131,100) | (131,100) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (131,100) | (131,100) | (131,100) | - |
| Net change in fund balance | (636,451) | (636,451) | 139,812 | 776,263 |
| Fund balance at beginning of year | 636,451 | 636,451 | 571,471 | (64,980) |
| Fund balance at end of year | $ - | $ - | $ 711,283 | $ 711,283 |

***See accompanying notes***

**CITY OF STAYTON**

**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**June 30, 2017**

| | Business-type Activities | | | | | |
|---|---|---|---|---|---|---|
| | Water | Wastewater | Stormwater | Stormwater Construction | Total Enterprise Funds | Internal Service Funds |
| **ASSETS** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 754,041 | $ 2,915,813 | $ 85,231 | $ 4,524 | $ 3,759,609 | $ 746,736 |
| Receivables, net | 121,043 | 254,103 | 26,708 | - | 401,854 | - |
| Inventory | 76,921 | 340,325 | - | - | 417,246 | - |
| Total current assets | 952,005 | 3,510,241 | 111,939 | 4,524 | 4,578,709 | 746,736 |
| Capital assets | | | | | | |
| Land | 31,825 | 219,952 | 1,086,717 | - | 1,338,494 | - |
| Construction in progress | - | 55,926 | - | - | 55,926 | - |
| Other capital assets, net | 7,046,457 | 13,127,783 | 64,751 | - | 20,238,991 | - |
| Total capital assets | 7,078,282 | 13,403,661 | 1,151,468 | - | 21,633,411 | - |
| TOTAL ASSETS | 8,030,287 | 16,913,902 | 1,263,407 | 4,524 | 26,212,120 | 746,736 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| Refunded debt charges | 53,888 | - | - | - | 53,888 | - |
| Pension related items | 127,515 | 174,307 | 10,515 | - | 312,337 | 94,239 |
| Other post-employment benefit related items | 3,437 | 4,698 | 283 | - | 8,418 | 2,540 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 184,840 | 179,005 | 10,798 | - | 374,643 | 96,779 |
| **LIABILITIES** | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued liabilities | 1,667 | 9,943 | 44 | 14,395 | 26,049 | 20,252 |
| Accrued interest payable | 10,603 | 185,900 | - | - | 196,503 | - |
| Consumer deposits | 17,305 | 15,652 | - | - | 32,957 | - |
| Due to other funds | - | - | 207,600 | - | 207,600 | - |
| Compensated absences payable | 12,424 | 17,421 | - | - | 29,845 | 6,730 |
| Long-term obligations due within one year | 236,414 | 501,110 | - | - | 737,524 | - |
| Total current liabilities | 278,413 | 730,026 | 207,644 | 14,395 | 1,230,478 | 26,982 |
| Long-term obligations due in more than one year | 4,202,074 | 12,087,669 | 13,499 | - | 16,303,242 | 120,974 |
| TOTAL LIABILITIES | 4,480,487 | 12,817,695 | 221,143 | 14,395 | 17,533,720 | 147,956 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Pension related items | 11,648 | 15,923 | 961 | - | 28,532 | 8,609 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 11,648 | 15,923 | 961 | - | 28,532 | 8,609 |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 2,803,484 | 1,038,638 | 1,151,468 | - | 4,993,590 | - |
| Unrestricted | 919,508 | 3,220,651 | (99,367) | (9,871) | 4,030,921 | 686,950 |
| TOTAL NET POSITION | $ 3,722,992 | $ 4,259,289 | $ 1,052,101 | $ (9,871) | 9,024,511 | $ 686,950 |

| | |
|---|---|
| Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time | 185,814 |
| Internal balance for water, wastewater and stormwater system development charges recorded in the governmental funds | 796,567 |
| Net position of the business-type activities | $ 10,006,892 |

***See accompanying notes***

## CITY OF STAYTON

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS
### For the Year Ended June 30, 2017

| | Business-type Activities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Water | Wastewater | Stormwater | Stormwater Construction | Sublimity RECD | Totals Enterprise Funds | Internal Service Funds |
| **OPERATING REVENUES** | | | | | | | |
| Charges for services | $ 1,733,328 | $ 3,026,899 | $ 273,220 | $ - | $ - | $ 5,033,447 | $ - |
| **OPERATING EXPENSES** | | | | | | | |
| Personal services | 366,432 | 571,495 | 38,999 | - | - | 976,926 | 314,546 |
| Materials and services | 432,013 | 926,866 | 51,449 | 39,505 | - | 1,449,833 | 79,248 |
| Depreciation | 360,877 | 558,757 | 820 | - | - | 920,454 | - |
| Total operating expenses | 1,159,322 | 2,057,118 | 91,268 | 39,505 | - | 3,347,213 | 393,794 |
| Operating income (loss) | 574,006 | 969,781 | 181,952 | (39,505) | - | 1,686,234 | (393,794) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | | |
| Grants | - | - | - | 1,119,011 | - | 1,119,011 | - |
| Rents | - | - | - | - | - | - | 50,713 |
| Interest | 10,655 | 29,926 | 650 | - | - | 41,231 | 6,797 |
| Miscellaneous | 13,225 | 12,041 | - | - | - | 25,266 | 9,495 |
| Interest | (102,689) | (334,229) | (1,400) | - | - | (438,318) | - |
| Total nonoperating revenue (expenses) | (78,809) | (292,262) | (750) | 1,119,011 | - | 747,190 | 67,005 |
| Income (loss) before transfers | 495,197 | 677,519 | 181,202 | 1,079,506 | - | 2,433,424 | (326,789) |
| Transfers in | - | 96,494 | 1,050,717 | - | - | 1,147,211 | 511,193 |
| Transfers out | (420,000) | (389,100) | (90,700) | (1,050,717) | (96,494) | (2,047,011) | (11,238) |
| Change in net position | 75,197 | 384,913 | 1,141,219 | 28,789 | (96,494) | 1,533,624 | 173,166 |
| Net position - beginning | 3,675,479 | 3,905,781 | 141,841 | (38,660) | 96,494 | 7,780,935 | 528,322 |
| Prior period adjustment | (27,684) | (31,405) | (230,959) | - | - | (290,048) | (14,538) |
| Net position - ending | $ 3,722,992 | $ 4,259,289 | $ 1,052,101 | $ (9,871) | $ - | $ 9,024,511 | $ 686,950 |

| | |
|---|---|
| Change in net position | $ 1,533,624 |
| The internal service fund was previously reported in governmental activities but has determined to be properly reported in business-type activities | 157,585 |
| Adjustment for current year activity related to system development charges reported in the governmental funds but for use by the business-type activities | 339,066 |
| Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds | 42,767 |
| Change in net position of the business-type activities | $ 2,073,042 |

***See accompanying notes***

**CITY OF STAYTON**

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**For the Year Ended June 30, 2017**

| | Business-type Activities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Water | Wastewater | Stormwater | Stormwater Construction | Sublimity RECD | Total Enterprise Funds | Internal Service Funds |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | |
| Receipts from customers | $ 1,743,375 | $3,035,736 | $ 271,829 | $ - | $ - | $ 5,050,940 | $ - |
| Payments to suppliers | (393,662) | (920,863) | (56,506) | (25,110) | - | (1,396,141) | (67,008) |
| Payments to employees | (351,527) | (544,074) | (36,295) | - | - | (931,896) | (296,199) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 998,186 | 1,570,799 | 179,028 | (25,110) | - | 2,722,903 | (363,207) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | | |
| Payments on interfund loan | - | - | (23,800) | - | - | (23,800) | - |
| Transfers in | - | 96,494 | - | - | - | 96,494 | 511,193 |
| Transfers out | (420,000) | (389,100) | (90,700) | - | (96,494) | (996,294) | - |
| NET CASH (USED IN) NONCAPITAL FINANCING ACTIVITIES | (420,000) | (292,606) | (114,500) | - | (96,494) | (923,600) | 511,193 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | | |
| Other | 13,225 | 12,041 | - | - | - | 25,266 | 9,495 |
| Grants | - | - | - | 1,119,011 | - | 1,119,011 | - |
| Rents | - | - | - | - | - | - | 50,713 |
| Acquisition of capital assets | (149,366) | (127,893) | (65,571) | (1,050,717) | - | (1,393,547) | (11,238) |
| Principal paid on long-term obligations | (180,000) | (461,657) | - | - | - | (641,657) | - |
| Interest paid on long-term obligations | (151,649) | (363,940) | - | - | - | (515,589) | - |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (467,790) | (941,449) | (65,571) | 68,294 | - | (1,406,516) | 48,970 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | |
| Interest on investments | 10,655 | 29,926 | 650 | - | - | 41,231 | 6,797 |
| Net increase (decrease) in cash and cash equivalents | 121,051 | 366,670 | (393) | 43,184 | (96,494) | 434,018 | 203,753 |
| Cash and cash equivalents - beginning of year | 632,990 | 2,549,143 | 85,624 | (38,660) | 96,494 | 3,325,591 | 542,983 |
| Cash and cash equivalents - end of year | $ 754,041 | $2,915,813 | $ 85,231 | $ 4,524 | $ - | $ 3,759,609 | $ 746,736 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | | | | | | |
| Operating income (loss) | $ 574,006 | $ 969,781 | $ 181,952 | $ (39,505) | $ - | $ 1,686,234 | $ (393,794) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | | |
| Depreciation | 360,877 | 558,757 | 820 | - | - | 920,454 | - |
| (Increase) decrease in assets and deferred outflows | | | | | | | |
| Receivables, net | 6,650 | 7,093 | (1,391) | - | - | 12,352 | - |
| Inventories | (286) | (20,650) | - | - | - | (20,936) | - |
| Prepaid items | 39,769 | 52,922 | 11,904 | - | - | 104,595 | 2,560 |
| Pension related items | (4,495) | (34,568) | (6,272) | - | - | (45,335) | (29,959) |
| Other postemployment benefit related items | 30 | (759) | (163) | - | - | (892) | (728) |
| Increase (decrease) in liabilities and deferred inflows | | | | | | | |
| Accounts payable and accrued liabilities | (1,132) | (26,269) | (16,961) | 14,395 | - | (29,967) | 9,680 |
| Consumer deposits | 3,397 | 1,744 | - | - | - | 5,141 | - |
| Compensated absences payable | (1,702) | (1,699) | - | - | - | (3,401) | 58 |
| Net pension liability | 45,888 | 83,564 | 8,111 | - | - | 137,563 | 53,442 |
| Net other post employment benefits obligation | (3,681) | 2,199 | 1,198 | - | - | (284) | 4,055 |
| Pension related items | (21,135) | (21,316) | (170) | - | - | (42,621) | (8,521) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | $ 998,186 | $1,570,799 | $ 179,028 | $ (25,110) | $ - | $ 2,722,903 | $ (363,207) |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS** | | | | | | | |
| Transfers in | $ - | $ - | $ 1,050,717 | $ - | $ - | $ 1,050,717 | $ - |
| Transfers out | - | - | - | (1,050,717) | - | (1,050,717) | 11,238 |
| Total noncash transactions | $ - | $ - | $ 1,050,717 | $ (1,050,717) | $ - | $ - | $ 11,238 |

***See accompanying notes***

## CITY OF STAYTON

## STATEMENT OF NET POSITION
## FIDUCIARY FUNDS
## June 30, 2017

| | Pension Trusts |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 328,885 |
| Receivables | 27,937 |
| Investments, at fair value | |
| Mutual funds | 6,622,352 |
| TOTAL ASSETS | 6,979,174 |
| **NET POSITION** | |
| Net position held in trust for: | |
| Pension benefits | 6,882,911 |
| Other post-employment benefits | 96,263 |
| TOTAL NET POSITION | $ 6,979,174 |

***See accompanying notes***

## CITY OF STAYTON

## STATEMENT OF CHANGES IN NET POSITION
## FIDUCIARY FUNDS
## For the Year Ended June 30, 2017

| | Pension Trusts |
|---|---|
| **ADDITIONS** | |
| Employer contributions | $ 316,483 |
| Investment earnings | 655,929 |
| Total additions | 972,412 |
| **DEDUCTIONS** | |
| Benefits | 316,181 |
| Administrative expenses | 24,862 |
| Total deductions | 341,043 |
| Change in net position | 631,369 |
| Net position - beginning of year | 6,347,805 |
| Net position - end of year | $ 6,979,174 |

***See accompanying notes***

**NOTES TO BASIC FINANCIAL STATEMENTS**
**June 30, 2017**

## 1. Summary of significant accounting policies

A. Financial reporting entity

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**1. Summary of significant accounting policies (continued)**

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

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

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

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

The City reports the following major <u>governmental</u> funds:

- *General* – The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

- *Street* – This Fund provides for street and bridge repairs and maintenance within the City. The primary source of revenue is from state gas tax turnovers and maintenance fees collected by the City.

The City reports the following major <u>proprietary</u> funds:

- *Water* – The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water system and billing and collection activities. The primary source of revenue is user fees and charges.

- *Wastewater* – The Wastewater Fund is used to account for the provision of wastewater services to the residents of the City. Activities of the fund include administration, operations and maintenance of the wastewater system and billing and collection activities. The primary source of revenue is user fees and charges.

- *Stormwater* – The Stormwater Fund accounts for the City's stormwater utility activities. Annual maintenance objectives include storm basin and storm line cleaning, repair replacement, and tracking and billing storm charges. Revenues for this fund are received from storm user fees.

- *Stormwater Construction* – The Stormwater Construction Fund accounts for the activity associated with a State funding earmark and related City and other funding to acquire land, design and construct stormwater facilities in the Mill Creek area. Funding is provided by the State of Oregon, stormwater SDCs, developers, and the City's general fund.

- *Sublimity RECD* – accounts for payments from the City of Sublimity to be used for debt service in connection with the construction of the wastewater treatment plant. During this year, the activity within this fund was consolidated with the Wastewater Fund, and the fund was closed.

The City also reports the following fund types:

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

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

**1. Summary of significant accounting policies (continued)**

- *Internal Service* – accounts for the cost of providing services to other funds of the City which are charged a fee on a cost reimbursement basis for those services.

- *Fiduciary* – accounts for the Retirement Plan for Employees of the City of Stayton and the Retirement Health Insurance Account.

D. Budget policies and budgetary control

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

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

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

E. Cash and cash equivalents

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

F. Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

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

## 1. Summary of significant accounting policies (continued)

G. User charges and fines receivable

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

H. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories consist of materials and supplies maintained for system maintenance and operation.

I. Capital assets

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

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

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

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

| Asset category | Years |
|---|---|
| Infrastructure | 40 |
| Buildings and improvements | 40 - 50 |
| Equipment and vehicles | 7 |

J. Long-term obligations

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

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

K. Compensated absences

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

**1. Summary of significant accounting policies (continued)**

L. Pensions – Oregon Public Employee Retirement System

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

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

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

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

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

N. Other postemployment benefits

For purposes of measuring the net other postemployment benefit obligation, deferred outflows of resources and deferred inflows of resources related to the other postemployment benefit obligation, and other postemployment benefit expense, information about the fiduciary net position of the City of Stayton Retirement Health Insurance Account and additions to/deductions from net position have been determined on the same basis as they are reported by the City of Stayton Retirement Health Insurance Account. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

O. Deferred outflow / inflows of resources

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

**1. Summary of significant accounting policies (continued)**

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

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

P. Equity classification

<u>Government-wide and proprietary fund net position</u>

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

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

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

***Unrestricted net position*** – All amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are reported as "unrestricted net position."

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

<u>Governmental fund type fund balance reporting</u>

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

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

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

**1. Summary of significant accounting policies (continued)**

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

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

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

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

Q. Risk management

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

R. Accounting standards implemented

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This statement makes significant changes to accounting by postemployment benefit plans other than pension plans by replacing the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* as amended, and No. 57, *OPEB Measurements by agent Employers and Agent Multiple-Employer Plans..*

GASB Statement No. 74 separates funding from financial reporting and builds upon the existing framework for financial reports of defined benefit other postemployment benefit plans and enhances note disclosures and required supplementary information. In addition, it requires the presentation of information about the rates of return on other postemployment benefit plan investments and funding ratios.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**1. Summary of significant accounting policies (continued)**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans.* This statement makes significant changes to accounting by pension plans by replacing the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This statement provides guidance for accounting for the net other postemployment benefit obligation, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific aspects impacting the City are detailed below.

**Net other postemployment benefit obligation** – Statement No. 75 defines the net other postemployment benefit obligation as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the other postemployment benefit plan's fiduciary net position.

**Deferred inflows of resources and deferred outflows of resources** – Statement No. 75 requires the changes in the net other postemployment benefit obligation that have not been included in other postemployment benefit expense to be reported as deferred outflows of resources or deferred inflows of resources related to other postemployment benefits. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

Statement No. 75 is effective for financial statement periods beginning after June 15, 2017, with the effects of the accounting change to be applied retroactively by restating the financial statements. The City has opted to adopt this new pronouncement early and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2016 as follows:

| | As Originally Reported | As Restated | Effect of Change |
|---|---|---|---|
| **Statement of Net Position** | | | |
| Governmental activities | | | |
| Deferred outflows of resources | $ - | $ 7,290 | $ 7,290 |
| Long-term obligations - other postemployment benefit obligation | - | 65,783 | (65,783) |
| Net position | 12,689,792 | 12,631,299 | (58,493) |
| | | | |
| Business-type activities | | | |
| Deferred outflows of resources | - | 9,338 | 9,338 |
| Long-term obligations - other postemployment benefit obligation | 339 | 84,263 | (83,924) |
| Net position | 8,238,436 | 8,163,850 | (74,586) |

For additional prior period adjustments effecting beginning net position, see footnote 2.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

## 2. Prior period adjustments

A. Governmental activities/funds

The beginning net position of governmental activities has been adjusted for the following:

| | | |
|---|---|---|
| Implementation of GASB 75 | $ | (58,493) |
| Correct errors in prior year accounts payable | | (11,771) |
| Correct error in transfers to business-type activities | | 230,000 |
| | $ | 159,736 |

The beginning fund balances of the General Fund and Swimming Pool Fund were decreased to correct errors in accounts payable which were not recorded in the prior year in the amount of $9,151 and $2,620, respectively.

The beginning fund balance of the System Development Charges Fund has been increased by $230,000 to correct an error in recording a transfer in which was originally reported in the Stormwater Fund.

B. Business-type activities / proprietary funds

The beginning net position of business-type activities has been adjusted for the following:

| | | |
|---|---|---|
| Implementation of GASB 75 | $ | (74,586) |
| Correct error in interfund loans | | (230,000) |
| | $ | (304,586) |

The beginning net position of the Stormwater Fund has been decreased by $230,000 to corrent an error in recording an interfund loan which was originally reported as a transfer in.

## 3. Cash, cash equivalents and investments

The City's cash, cash equivalents and investments at June 30, 2017 are as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | | |
| Deposits with financial institutions | $ | (104,760) |
| State of Oregon Local Government Investment Pool | | 9,111,943 |
| Money markets | | 328,885 |
| Cash on hand | | 800 |
| Total cash and cash equivalents | $ | 9,336,868 |
| Investments | | |
| Mutual funds | $ | 6,622,352 |

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

**3. Cash, cash equivalents and investments (continued)**

A. Deposits with financial institutions

*Custodial Credit Risk – Deposits:* This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to $250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2017, $507,207 of the City's bank balances were exposed to custodial credit risk as defined by GASB however, the bank balances were covered by the Oregon Public Funds Collateralization Program.

B. State of Oregon Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, 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. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

C. Investments

As of June 30, 2017 the City had the following investments:

| Investment Type | Rating | Fair Value | Risk Concentration | Weighted Average Maturity (in months) |
|---|---|---|---|---|
| Mutual funds | Not Rated | $ 6,622,352 | 100% | N/A |

*Credit Risk.* Oregon statutes authorize the City to invest in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool. Additionally, the City's pension trust may invest in equity securities and mutual funds.

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

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

## 3. Deposits and investments (continued)

*Portfolio Credit Rating*: The City does not have a formal policy that establishes a minimum average credit rating for its investment portfolio.

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

*Fair Value Measurements:* The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investment in equities and mutual funds are measured using level 1 inputs.

## 4. Receivables

A. The City's receivables at June 30, 2017 are shown below:

| | Governmental Activities / Funds | | | | Business-type Activities / Proprietary Funds | | | |
|---|---|---|---|---|---|---|---|---|
| | General | Street | Total Nonmajor | Totals | Water | Wastewater | Stormwater | Totals |
| User charges | $ - | $ - | $ - | $ - | $ 121,043 | $ 254,103 | $ 26,708 | $ 401,854 |
| Property taxes | 80,418 | - | 14,480 | 94,898 | - | - | - | - |
| Accounts | 227,747 | 47,999 | 79,822 | 355,568 | - | - | - | - |
| | $ 308,165 | $ 47,999 | $ 94,302 | $ 450,466 | $ 121,043 | $ 254,103 | $ 26,708 | $ 401,854 |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

## 5. Capital assets

A. Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

| | Balances July 1, 2016 | Additions | Deletions | Balances June 30, 2017 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 1,759,203 | $ - | $ - | $ 1,759,203 |
| Capital assets being depreciated | | | | |
| Infrastructure | 10,948,869 | 223,669 | - | 11,172,538 |
| Buildings and improvements | 7,399,350 | 111,016 | - | 7,510,366 |
| Equipment and vehicles | 1,425,354 | 71,616 | 66,349 | 1,430,621 |
| Total capital assets being depreciated | 19,773,573 | 406,301 | 66,349 | 20,113,525 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 7,343,141 | 89,588 | - | 7,432,729 |
| Buildings and improvements | 4,151,546 | 183,385 | - | 4,334,931 |
| Equipment and vehicles | 801,912 | 67,288 | 65,846 | 803,354 |
| Total accumulated depreciation | 12,296,599 | 340,261 | 65,846 | 12,571,014 |
| Total capital assets being depreciated, net | 7,476,974 | 66,040 | 503 | 7,542,511 |
| Governmental activities capital assets, net | $ 9,236,177 | $ 66,040 | $ 503 | $ 9,301,714 |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

## 5. Capital assets (continued)

B. Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

| | Balances July 1, 2016 | Additions | Deletions | Balances June 30, 2017 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 283,157 | $ 1,055,337 | $ - | $ 1,338,494 |
| Construction in progress | - | 55,926 | - | 55,926 |
| Total capital assets not being depreciated | 283,157 | 1,111,263 | - | 1,394,420 |
| Capital assets being depreciated | | | | |
| Infrastructure | 32,639,417 | 214,937 | - | 32,854,354 |
| Buildings and improvements | 6,465,746 | - | - | 6,465,746 |
| Equipment and vehicles | 1,888,370 | 67,347 | - | 1,955,717 |
| Total capital assets being depreciated | 40,993,533 | 282,284 | - | 41,275,817 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 17,149,989 | 689,007 | - | 17,838,996 |
| Buildings and improvements | 1,870,461 | 126,075 | - | 1,996,536 |
| Equipment and vehicles | 1,095,922 | 105,372 | - | 1,201,294 |
| Total accumulated depreciation | 20,116,372 | 920,454 | - | 21,036,826 |
| Total capital assets being depreciated, net | 20,877,161 | (638,170) | - | 20,238,991 |
| Business-type activities capital assets, net | $ 21,160,318 | $ 473,093 | $ - | $ 21,633,411 |

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

| | |
|---|---|
| *Governmental activities* | |
| General government | $ 32,148 |
| Public safety | 27,532 |
| Highways and streets | 118,741 |
| Culture and recreation | 161,840 |
| Total depreciation expense - governmental activities | $ 340,261 |
| *Business-type activities* | |
| Water | $ 360,877 |
| Sewer | 558,757 |
| Stormwater | 820 |
| Total depreciation expense - business-type activities | $ 920,454 |

## 6. Unavailable revenue

Property taxes which are due the City, but not received within 60 days after year end are reported as unavailable revenue in the governmental funds as follows:

| | Governmental Funds | | |
|---|---|---|---|
| | General | Total Nonmajor | Totals |
| Property taxes | $ 60,912 | $ 10,977 | $ 71,889 |

## 7. Interfund transactions and balances

The interfund transfers during the year ended June 30, 2017 were as follows:

| | In | Out |
|---|---|---|
| Governmental | | |
| General | $ 768,946 | $ 474,156 |
| Street | - | 131,100 |
| Nonmajor governmental | 455,830 | 230,913 |
| Governmental - noncash | 11,238 | - |
| Proprietary | | |
| Enterprise | | |
| Water | - | 420,000 |
| Wastewater | 96,494 | 389,100 |
| Stormwater | - | 90,700 |
| Stormwater - noncash | 1,050,717 | - |
| Stormwater construction - noncash | - | 1,050,717 |
| Sublimity RECD | - | 96,494 |
| Internal service | 511,193 | - |
| Internal service - noncash | - | 11,238 |
| Totals | $ 2,894,418 | $ 2,894,418 |

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

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

The Vehicle Replacement Fund loaned $230,000 to the Stormwater Fund in 2015-16. The loan is being repaid in annual installments of $23,000 plus interest of 1 percent. At June 30, 2017, the loan balance is $207,600.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

## 7. Interfund transactions and balances (continued)

Amounts due from and due to other funds as of June 30, 2017 are as follows:

| | Due from | | |
|---|---|---|---|
| Due to | Nonmajor Funds | Stormwater | Total |
| General | $ 82,135 | $ - | $ 82,135 |
| Nonmajor funds | - | 207,600 | 207,600 |
| | $ 82,135 | $ 207,600 | $ 289,735 |

## 8. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2017 were as follows:

| | Outstanding July 1, 2016 | Additions | Reductions | Outstanding June 30, 2017 | Balances Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Other long-term obligations | | | | | |
| Compensated absences | $ 141,256 | $ 142,762 | $ 141,256 | $ 142,762 | $ 142,762 |
| Net pension liability | 978,754 | 1,338,695 | - | 2,317,449 | - |
| Net other postemployment benefit obligation | 65,783 | - | 2,249 | 63,534 | - |
| Total long-term obligations | $ 1,185,793 | $ 1,481,457 | $ 143,505 | $ 2,523,745 | $ 142,762 |
| Business-type activities | | | | | |
| Long-term debt | | | | | |
| Bonded debt | | | | | |
| 2013 Full Faith and Credit Refunding | $ 4,585,000 | $ - | $ 335,000 | $ 4,250,000 | $ 345,000 |
| 2016 Full Faith and Credit Refunding | 3,945,000 | - | 180,000 | 3,765,000 | 200,000 |
| USDA Sewer Revenue Bonds | 7,956,008 | - | 126,657 | 7,829,351 | 130,140 |
| Premium | 857,854 | - | 62,384 | 795,470 | 62,384 |
| Total long-term debt | 17,343,862 | - | 704,041 | 16,639,821 | 737,524 |
| Other long-term obligations | | | | | |
| Compensated absences | 39,918 | 36,575 | 39,918 | 36,575 | 36,575 |
| Net pension liability | 242,880 | 191,005 | - | 433,885 | - |
| Net other postemployment benefit obligation | 84,602 | 3,432 | - | 88,034 | - |
| Total long-term obligations | $ 17,711,262 | $ 231,012 | $ 743,959 | $ 17,198,315 | $ 774,099 |

B. Business-type activities long-term debt obligations

2013 Full Faith and Credit Refunding – The City issued bonds in the amount of $5,810,000 to refund previously issued long-term obligations. Interest on outstanding bonds varies between 2 and 4 percent based on bond maturity dates.

**8. Long-term obligations (continued)**

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

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

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

| Fiscal | 2013 Full Faith and Credit Refunding | | 2016 Full Faith and Credit Refunding | | USDA Sewer Revenue Bonds | | Totals | |
|---|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | $ 345,000 | $ 135,100 | $ 200,000 | $ 130,822 | $ 130,140 | $ 215,307 | $ 675,140 | $ 481,229 |
| 2019 | 355,000 | 124,750 | 205,000 | 124,747 | 133,719 | 211,728 | 693,719 | 461,225 |
| 2020 | 365,000 | 114,100 | 210,000 | 118,523 | 137,396 | 208,051 | 712,396 | 440,674 |
| 2021 | 375,000 | 103,150 | 215,000 | 114,136 | 141,174 | 204,273 | 731,174 | 421,559 |
| 2022 | 385,000 | 88,150 | 220,000 | 109,600 | 145,057 | 200,390 | 750,057 | 398,140 |
| 2023-27 | 2,115,000 | 240,300 | 1,230,000 | 422,450 | 787,358 | 939,877 | 4,132,358 | 1,602,627 |
| 2028-32 | 310,000 | 9,300 | 1,485,000 | 152,700 | 901,741 | 825,494 | 2,696,741 | 987,494 |
| 2033-37 | - | - | - | - | 1,032,740 | 694,495 | 1,032,740 | 694,495 |
| 2038-42 | - | - | - | - | 1,182,768 | 544,467 | 1,182,768 | 544,467 |
| 2043-47 | - | - | - | - | 1,354,594 | 372,641 | 1,354,594 | 372,641 |
| 2048-52 | - | - | - | - | 1,551,381 | 175,854 | 1,551,381 | 175,854 |
| 2053-57 | - | - | - | - | 331,283 | 14,164 | 331,283 | 14,164 |
| | $ 4,250,000 | $ 814,850 | $ 3,765,000 | $ 1,172,978 | $ 7,829,351 | $ 4,606,741 | $ 15,844,351 | $ 6,594,569 |

D. Advance refunding

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

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

## 9. Defined benefit pension plans

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

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

A. Plan description

Employees of the City are provided with pensions through the Oregon Public Employee Retirement Systems (OPERS).

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

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the pension plan's fiduciary net position. The report can be found at:
www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

B. Description of benefit terms

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

Tier One/Tier Two retirement benefit (Chapter 238)

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

*Pension benefits*

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

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

**9. Defined benefit pension plans (continued)**

*Death benefits*

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

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

*Disability benefits*

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

*Benefit changes after retirement*

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

<u>Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)</u>

*Pension benefits*

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

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

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

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

**9. Defined benefit pension plans (continued)**

*Death benefits*

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

*Disability benefits*

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

*Benefit changes after retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

C. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation.

Tier 1/tier 2 employer contribution rates are 18.45 percent and the OPSRP employer contribution rates are 10.07 percent for general service employees and 14.18 percent for police and fire. Employer contributions for the year ended June 30, 2017 were $154,333.

D. Actuarial valuations – Tier One/Tier Two

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

*Actuarial cost method*

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

**9. Defined benefit pension plans (continued)**

*Unfunded actuarial accrued liability amortization*

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

*Retiree healthcare unfunded actuarial accrued liability amortization*

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

*Asset valuation method*

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS. Real estate and private equity investments are reported on a three-month lag basis.

*Contribution rate stabilization method*

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

*Allocation of liability for service segments*

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

**9. Defined benefit pension plans (continued)**

*Allocation of benefits-in-force reserve*

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

*Economic assumptions*

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

*Demographic assumptions*

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

*Retirement assumptions*

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

*Salary increase assumptions*

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

**9. Defined benefit pension plans (continued)**

E. Actuarial valuations – OPSRP

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

*OPSRP unfunded actuarial accrued liability amortization*

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

*Economic assumptions*

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

*Retirement assumptions*

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

F. Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

*Net pension liability*

At June 30, 2017, the City reported a liability of $2,004,319 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 (the measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plans (continued)

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

UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.

The UAL has Tier One/Tier Two and OPSRP pieces. The Tier One/Tier Two piece is based on the employer's Tier One/Tier Two pooling arrangement. If an employer participates in one of the two large Tier One/Tier Two rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier One/Tier Two UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier One/Tier Two pooling arrangement, who are referred to as "Independent Employers", have their Tier One/Tier Two UAL tracked separately in the actuarial valuation.

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

At June 30, 2016 (the measurement date), the City's proportion was 0.01335116 percent, which was a decrease of 0.00039342 percent from its proportion measured as of June 30, 2015.

*Pension expense*

For the year ended June 30, 2017, the City recognized pension expense of $200,454.

**9. Defined benefit pension plans (continued)**

*Deferred inflows of resources and deferred outflows of resources*

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2016, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

Difference between expected and actual experience
Changes in assumptions
Changes in employer proportion since the prior measurement date
Differences between projected and actual earnings

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 66,312 | $ -- |
| Change of assumptions | 427,473 | -- |
| Net difference between projected and actual earnings on pension plan investments | 395,969 | -- |
| Changes in proportion share | 2,484 | 21,180 |
| Difference between City's contributions and proportionate share of contributions | 16,510 | 6,400 |
| City's contributions subsequent to the measurement date | 154,333 | -- |
| | $ 1,063,081 | $ 27,580 |

**9. Defined benefit pension plans (continued)**

$154,333 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

| Year ends June 30, | |
|---|---|
| 2018 | $ 157,790 |
| 2019 | 157,790 |
| 2020 | 303,953 |
| 2021 | 229,744 |
| 2022 | 31,892 |
| | $ 881,168 |

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

The total pension liability measured as of June 30, 2016 was based on an actuarial valuation as of December 31, 2014 using the following methods and assumptions:

| | |
|---|---|
| Experience study report | 2014, published September 2015 |
| Inflation rate | 2.5 percent |
| Long-term expected rate of return | 7.5 percent |
| Discount rate | 7.5 percent |
| Projected salary increases | 3.5 percent |
| | Cost of living adjustments (COLA) blend of 2.00 percent COLA and graded COLA (1.25 percent/.015) in accordance with *Moro* decision; blend based on service |
| Mortality | ***Healthy retirees and beneficiaries:*** RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. ***Active members:*** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. ***Disabled retirees:*** Mortality rates are a percentage (70 percent for males, 95 percent for females) of the RP-2000 Sex-distinct generational per Scale BB, disabled mortality table. |

## 9. Defined benefit pension plans (continued)

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

*Discount rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Long-term expected rate of return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuaries capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS audited financial statements.

*Depletion date projection*

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

**9. Defined benefit pension plans (continued)**

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

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

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

H. Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1 Percentage Point Lower | Current Discount Rate | 1 Percentage Point Higher |
|---|---|---|---|
| Proportionate share of net pension liability | $ 3,236,307 | $ 2,004,319 | $ 974,593 |

## 9. Defined benefit pension plans (continued)

### Retirement Plan for Employees of the City of Stayton

A. Plan description

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

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

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

B. Plan membership

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

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

C. Description of benefit terms

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

i. 1.43 percent for the period commencing July 1, 1973 and thereafter (effective for employees whose severance of employment occurs after June 30, 1992).

ii. The larger of (a) or (b)

   a) The average of basic monthly earnings for each month in a 36 consecutive month period during the last 120 months of employment which produce the highest average rate of compensation.

   b) The average of basic monthly earnings in effect on the July 1st of the three consecutive years during the last ten years of employment which produces the highest average rate.

iii. The number of years and completed months of employment commencing on or after July 1, 1973.

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

**9. Defined benefit pension plans (continued)**

Early retirement

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

Late retirement

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

| Number of Years | Percentage |
|---|---|
| 0 | 100% |
| 1 | 107% |
| 2 | 114% |
| 3 | 122% |
| 4 | 129% |
| 5 | 136% |

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

Disability

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

Severance benefit

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

**9. Defined benefit pension plans (continued)**

Death benefits

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

D. Contributions

The City is required by the Plan's provisions to pay the employees' contribution to the Plan of six percent of covered salaries. In addition the City will contribute additional amounts necessary to fund the Plan sufficient to pay benefits when due based on annul actuarial valuations. City contributions to the plan for the year ended June 30, 2017 were $223,998.

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

At June 30, 2017, the City reported a net pension liability of $747,015. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

| | |
|---|---|
| Total pension liability | $ 7,014,532 |
| Plan fiduciary net position | 6,267,517 |
| Net pension liability | $ 747,015 |
| Fiduciary net position as a percentage of total pension liability | 89.35% |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plans (continued)

Changes in the net pension liability is as follows:

| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| Beginning balances | $ 6,582,356 | $ 6,149,862 | $ 432,494 |
| Changes for the year: | | | |
| Service cost | 226,375 | - | 226,375 |
| Interest on total pension liability | 434,734 | - | 434,734 |
| Benefit payments | (228,933) | (228,933) | - |
| Administrative expenses | - | (50,360) | 50,360 |
| Member contributions | - | 76,542 | (76,542) |
| Net investment income | - | 106,824 | (106,824) |
| Employer contributions | - | 213,582 | (213,582) |
| Ending balances | $ 7,014,532 | $ 6,267,517 | $ 747,015 |

For the year ended June 30, 2017, the City recognized pension expense of $111,171. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ -- | $ 63,945 |
| Changes of assumptions or inputs | 277,942 | -- |
| Net difference between projected and actual earnings on pension plan investments | 198,061 | -- |
| City's contributions subsequent to the measurement date | 223,998 | -- |
| | $ 700,001 | $ 63,945 |

**9. Defined benefit pension plans (continued)**

$223,998 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ends June 30, | |
|---|---|
| 2018 | $ 83,695 |
| 2019 | 83,697 |
| 2020 | 162,750 |
| 2021 | 81,916 |

iv. Actuarial valuation

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

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

| | |
|---|---|
| Valuation Date | June 30, 2016. |
| Actuarial Cost Method | Individual Entry Age Normal, Level Percentage of Pay |
| Amortization Method | Amortized as a level percent of payroll over a period of 22 years. |
| Asset Valuation Method | Market value gains and losses smoothed over five years, with result not less than 80% or greater than 120% of market value |
| Actuarial Assumptions: | |
| Inflation Rate | 2 percent |
| Investment rate of return | 6.5 percent |
| Projected Salary Increases | Salaries for individuals are assumed to grow at 3.5 percent per annum |
| Mortality | Healthy retirees and beneficiaries:<br>RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs |

## 9. Defined benefit pension plans (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion date projection

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

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

Long-term expected rate of return

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

## 9. Defined benefit pension plans (continued)

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

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

| | 1 Percentage Point Lower | Current Discount Rate | 1 Percentage Point Higher |
|---|---|---|---|
| Net pension liability | $ 1,666,085 | $ 747,015 | $ (13,601) |

## 10. Defined contribution plan

A. Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

B. Pension benefits

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

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

C. Death benefits

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

D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2016 were $57,766.

E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

**11. Other postemployment benefits**

A. Plan description

The City provides other postemployment benefits (OPEB) for employees, retirees, spouses and dependents through a single employer defined benefit plan in the form of group health insurance benefits.

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

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

B. Plan membership

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

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

C. Description of benefit terms

The City provides a benefit for each eligible employee who retires or becomes disabled on or after July 1, 1994, who is receiving retirement or disability benefit from the Plan, has earned seven years of participation in the Plan at the time of retirement or disability, and is age 65. Eligible employees will receive a benefit equal to the monthly cost of coverage under a health care insurance contract entered into with the Employer that provides coverage after retirement or $100, whichever is less. This amount shall be paid from the Retirement Health insurance Account (RHIA). Payment shall begin the first of the month coinciding with, or the 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.

D. Contributions

The RHIA is funded with contributions by the Employer. The recommended contribution rate is determined by the actuary and is calculated as the sum of the annual normal cost plus a provision for administrative expenses plus the amortization payment of the unfunded actuarial accrued liability, as a percentage of payroll. Temporarily, the recommended contribution ate includes a fourth component, a phase-in adjustment. The phase-in adjustment spreads, over three years, the increases in recommended contribution rate associated with the assumption changes adopted by the City. For the fiscal year ended June 30, 2017, the actuarial determined contribution rate was 1.1 percent of covered payroll. City contributions to the plan for the year ended June 30, 2017 were $16,000.

## 11. Other postemployment benefits

E. Net other postemployment benefit obligation, changes in net other postemployment benefit obligation, other postemployment benefit expense, deferred outflows of resources and deferred inflows of resources related to other postemployment benefit obligations

At June 30, 2017, the City reported a net other postemployment benefit obligation of $151,568. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

| | | |
|---|---|---|
| Total other postemployment benefit obligation | $ | 231,856 |
| Plan fiduciary net position | | 80,288 |
| Net other postemployment benefit obligation | $ | 151,568 |

Fiduciary net position as a percentage of total other postemployment benefit obligation 34.63%

Changes in the net other postemployment benefit obligation is as follows:

| | Total other postemployment benefit obligation | Plan Fiduciary Net Position | Net other postemployment benefit obligation |
|---|---|---|---|
| Beginning balances | $ 221,388 | $ 71,341 | $ 150,047 |
| Changes for the year | | | |
| Service cost | 4,460 | - | 4,460 |
| Interest on total OPEB obligation | 14,408 | - | 14,408 |
| Benefit payments | (8,400) | (8,400) | - |
| Administrative expenses | - | (584) | 584 |
| Net investment income | - | 1,304 | (1,304) |
| Employer contributions | - | 16,627 | (16,627) |
| Ending balances | $ 231,856 | $ 80,288 | $ 151,568 |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

## 11. Other postemployment benefits (continued)

For the year ended June 30, 2017, the City recognized other postemployment benefit expense (revenue) of $(716). At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings | $ 2,866 | $ - |
| Contributions made subsequent to measurement date | 16,000 | - |
| | $ 18,866 | $ - |

$16,000 reported as deferred outflows of resources related to other postemployment benefits resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net other postemployment benefit obligation in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in postemployment benefit expense as follows:

| Year ends June 30, | |
|---|---|
| 2018 | $ 716 |
| 2019 | 716 |
| 2020 | 716 |
| 2021 | 718 |

F. Actuarial valuation

The City contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. Under this method, a normal cost is determined for each active member. The normal cost is the annual contribution determined as a level percentage of base salary with would be paid from year of entry to year of retirement to fund the projected retirement benefit. The normal cost for the Plan is the sum of the individuals' normal costs. The actuarial accrued liability for active plan members is an accumulated of the normal costs from entry to the valuation date. The actuarial accrued liability for inactive members is the actuarial present value of the accrued benefits. The actuarial accrued liability for the Plan is the sum of the individual actuarial accrued liabilities. The unfunded actuarial liability is the difference between the actuarial accrued liability and the actuarial value of assets. The unfunded actuarial liability is amortized over a 22-year period and assumes the annual payment will increase by the salary scale assumption each year.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Other postemployment benefits (continued)

G. Actuarial methods and assumptions used in developing the total other postemployment benefit obligation:

| | |
|---|---|
| Valuation Date | June 30, 2016. |
| Actuarial Cost Method | Individual Entry Age Normal, Level Percentage of Pay |
| Amortization Method | Amortized as a level percent of payroll over a period of 22 years. |
| Asset Valuation Method | Market value gains and losses smoothed over five years, with result not less than 80% or greater than 120% of market value |
| Actuarial Assumptions: | |
| Inflation Rate | 2 percent |
| Investment rate of return | 6.5 percent |
| Projected Salary Increases | Salaries for individuals are assumed to grow at 3.5 percent per annum |
| Mortality | |
| Healthy retirees and beneficiaries: | RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs |

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

Discount rate

The discount rate used to measure the total other postemployment benefit obligation was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the other postemployment benefit plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on other postemployment benefit plan investments for the Plan was applied to all periods of projected benefit payments to determine the total other postemployment benefit obligation.

Healthcare cost trend rate

The benefit provided through the other postemployment benefit plan is a set dollar amount each month, therefore, the healthcare cost trend rates have no effect on the other postemployment benefit obligation.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Other postemployment benefits (continued)

Depletion date projection

GASB 74 generally requires that a blended discount rate be used to measure the Total Other Postemployment Benefit Obligation (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 74 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 74 (paragraph 51) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

Based on these circumstances, it is the Plan's independent actuary's opinion that the detailed depletion date projections outlined in GASB 74 would indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Long-term expected rate of return

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

Sensitivity of the net other postemployment benefit obligation to changes in the discount rate

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

| | 1 Percentage Point Lower | Current Discount Rate | 1 Percentage Point Higher |
|---|---|---|---|
| Net other postemployment benefit obligations | $ 179,531 | $ 151,567 | $ 128,081 |

## 12. Intergovernmental agreement

The City has an intergovernmental agreement with the City of Sublimity, to provide sewage treatment services. The Agreement has been renewed until June 30, 2018. The agreement is automatically extended from year to year on the same terms and conditions unless it is modified or terminated by mutual written agreement of the cities of Stayton and Sublimity.

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

## 13. Net position restricted through enabling legislation

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

| | | |
|---|---|---|
| Governmental activities | | |
| Capital projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made | $ | 712,595 |
| Business-type activities | | |
| Capital projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made | | 796,567 |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 14. Segment information for enterprise funds

The City has issued Full Faith and Credit Refunding Bonds to finance water and sewer systems.

Summary financial information for the water and sewer systems as of and for the year ended June 30, 2017 is as follows:

| **Condensed statement of net position** | Water | Wastewater |
|---|---|---|
| Assets | | |
| Current | $ 952,005 | $ 3,510,241 |
| Capital | 7,078,282 | 13,403,661 |
| Total assets | 8,030,287 | 16,913,902 |
| Deferred outflows of resources | 184,840 | 179,005 |
| Liabilities | | |
| Current | 278,413 | 730,026 |
| Noncurrent | 4,202,074 | 12,087,669 |
| Total liabilities | 4,480,487 | 12,817,695 |
| Deferred inflows of resources | 11,648 | 15,923 |
| Net position | | |
| Net investment in capital assets | 2,803,484 | 1,038,638 |
| Unrestricted | 919,508 | 3,220,651 |
| Total net position | $ 3,722,992 | $ 4,259,289 |

| **Condensed statement of revenues, expenses and changes in fund net position** | Water | Wastewater |
|---|---|---|
| Operating revenue | $ 1,733,328 | $ 3,026,899 |
| Depreciation expense | 360,877 | 558,757 |
| Other operating expenses | 798,445 | 1,498,361 |
| Operating income | 574,006 | 969,781 |
| Nonoperating revenues (expenses) | (78,809) | (292,262) |
| Income before transfers | 495,197 | 677,519 |
| Transfers in | - | 96,494 |
| Transfers out | (420,000) | (389,100) |
| Change in net position | 75,197 | 384,913 |
| Net position – beginning | 3,675,479 | 3,905,781 |
| Prior period adjustment | (27,684) | (31,405) |
| Net position – ending | $ 3,722,992 | $ 4,259,289 |

## 14. Segment information for enterprise funds (continued)

| Condensed statement of cash flows | Water | Wastewater |
|---|---|---|
| Net cash provided by (used in): | | |
| Operating activities | $ 998,186 | $ 1,570,799 |
| Non-capital financing activities | (420,000) | (292,606) |
| Capital and related financing activities | (467,790) | (941,449) |
| Investing activities | 10,655 | 29,926 |
| Net increase (decrease) in cash and cash equivalents | 121,051 | 366,670 |
| Cash and cash equivalents - beginning | 632,990 | 2,549,143 |
| Cash and cash equivalents - ending | $ 754,041 | $ 2,915,813 |

## 15. Tax abatements

Marion County has designated historic property under ORS 358.475-.545 that abates property taxes on historic properties. As a result, the property taxes that the City will receive for the 2016-17 levy year has been reduced by $781.

## 16. Deficit fund balances

Deficit fund balance of $(32,689) is reported in the Parks Funds at year end June 30, 2017. The deficits will be eliminated with resources from future operations.

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# REQUIRED SUPPLEMENTARY INFORMATION

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Proportion of the collective net pension liability (asset) | 0.01335116% | 0.01374458% | 0.01355733% |
| Proportionate share of the collective net pension liability (asset) | $ 2,004,319 | $ 789,140 | $ (307,306) |
| Covered payroll | $ 954,756 | $ 949,451 | $ 967,205 |
| Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll | 210% | 83% | -32% |
| Pension plan's fiduciary net position as a percentage of the total pension liability | 81% | 92% | 104% |

* Information will be accumulated annually until 10 years is presented

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Contractually required contributions | $ 212,099 | $ 190,064 | $ 185,123 |
| Contractually required contributions recognized by the pension plan | 212,099 | 190,064 | 185,123 |
| Difference | $ - | $ - | $ - |
| Covered payroll | $ 954,756 | $ 949,451 | $ 967,205 |
| Contractually required contributions as a percentage of covered payroll | 22.21% | 20.02% | 19.14% |

* Information will be accumulated annually until 10 years is presented

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

| | For the Year Ended June 30, 2016 | For the Year Ended June 30, 2015 | For the Year Ended June 30, 2014 |
|---|---|---|---|
| Beginning of year | | | |
| Total pension liability | $ 6,582,356 | $ 5,814,484 | $ 5,460,247 |
| Fiduciary net position | 6,149,862 | 5,909,978 | 5,089,313 |
| Net pension liability (asset) | $ 432,494 | $ (95,494) | $ 370,934 |
| Changes in total pension liability | | | |
| Service cost | $ 226,375 | $ 196,034 | $ 205,098 |
| Interest on total pension liability | 434,734 | 384,088 | 362,649 |
| Effect of economic/demographic losses | - | (59,144) | (48,357) |
| Effect of assumption changes or inputs | - | 441,438 | - |
| Benefit payments | (228,933) | (194,544) | (165,153) |
| Net change in total pension liability | $ 432,176 | $ 767,872 | $ 354,237 |
| Changes in fiduciary net position | | | |
| Employer contributions | $ 213,582 | $ 198,193 | $ 203,582 |
| Member contributions | 76,542 | 68,901 | 70,200 |
| Investment income net of expenses | 106,824 | 183,402 | 729,046 |
| Benefit payments | (228,933) | (194,544) | (165,153) |
| Administrative expenses | (50,360) | (16,068) | (17,010) |
| Net change in fiduciary net position | $ 117,655 | $ 239,884 | $ 820,665 |
| End of year | | | |
| Total pension liability | $ 7,014,532 | $ 6,582,356 | $ 5,814,484 |
| Fiduciary net position | 6,267,517 | 6,149,862 | 5,909,978 |
| Net pension liability | $ 747,015 | $ 432,494 | $ (95,494) |
| Fiduciary net position as a percent of total pension liability | 89.4% | 93.4% | 101.6% |
| Covered payroll | $ 1,188,545 | $ 1,148,353 | $ 1,051,497 |
| Net pension liability as a percent of covered payroll | 62.9% | 37.7% | -9.1% |

*Information will be accumulated until 10 years are presented

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

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Actuarilly determined contribution | $ 270 | $ 277 | $ 255 | $ 305 | $ 313 | $ 319 | $ 297 | $ 214 | $ 211 | $ 217 |
| Actual employer contribution | 290 | 267 | 274 | 306 | 315 | 314 | 299 | 214 | 212 | 218 |
| Contribution deficiency (excess) | (20) | 10 | (19) | (1) | (2) | 5 | (2) | - | (1) | (1) |
| Covered payroll | 1,189 | 1,148 | 1,051 | 1,108 | 1,178 | 1,230 | 1,212 | 1,184 | 1,126 | 1,164 |
| Contribution as a percent of covered payroll | 24.39% | 23.26% | 26.07% | 27.62% | 26.74% | 25.53% | 24.67% | 18.07% | 18.83% | 18.73% |
| Valuation date | 7/1/2014 | 7/1/2013 | 7/1/2012 | 7/1/2011 | 7/1/2010 | 7/1/2009 | 7/1/2008 | 7/1/2007 | 7/1/2006 | 7/1/2005 |
| Assumed investment rate of return | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |

**Notes to schedule**

Methods and assumptions used to determine contribution rates:

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

**CITY OF STAYTON**

**Schedule of Investment Rate of Return**

**Last 10 Plan Years***

| Year Ended June 30, | Rate of Return |
|---|---|
| 2017 | 1.72% |
| 2016 | 2.30% |
| 2015 | 3.10% |
| 2014 | 14.24% |

*Information will be accumulated until 10 years are presented

## CITY OF STAYTON
### Schedule of Net Other Postemployment Benefit Obligation and Changes in Net Other Postemployment Benefit Obligation
### Last 10 Plan Fiscal Years*

| | For the Year Ended June 30, 2016 |
|---|---|
| Beginning of year | |
| Total other postemployment benefit obligation | $ 221,388 |
| Fiduciary net position | 71,341 |
| Net other postemployment benefit obligation (asset) | $ 150,047 |
| Changes in total other postemployment benefit obligation | |
| Service cost | $ 4,460 |
| Interest on total other postemployment benefit obligation | 14,408 |
| Benefit payments | (8,400) |
| Net change in total other postemployment benefit obligation | $ 10,468 |
| Changes in fiduciary net position | |
| Employer contributions | $ 16,627 |
| Investment income net of expenses | 1,304 |
| Benefit payments | (8,400) |
| Administrative expenses | (584) |
| Net change in fiduciary net position | $ 8,947 |
| End of year | |
| Total other post employee benefit obligation | $ 231,856 |
| Fiduciary net position | 80,288 |
| Net other postemployment benefit obligation (asset) | $ 151,568 |
| Fiduciary net position as a percent of total other postemployment benefit obligation | 12.8% |
| Covered payroll | $ 1,188,545 |
| Net other postemployment benefit obligation as a percent of covered payroll | 12.8% |

*Information will be accumulated until 10 years are presented

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

| | June 30, 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarilly determined contribution | $ 15 | $ 10 | $ 8 | $ 10 | $ 10 | $ 7 | $ 8 | $ 6 | $ 5 | $ 10 |
| Actual employer contribution | 17 | 9 | 8 | 9 | 7 | 5 | 6 | 6 | 5 | 10 |
| Contribution deficiency (excess) | (2) | 1 | - | 1 | 3 | 2 | 2 | - | - | - |
| Covered payroll | 1,189 | 1,148 | 1,051 | 1,108 | 1,178 | 1,230 | 1,212 | 1,184 | 1,126 | 1,164 |
| Contribution as a percent of covered payroll | 1.43% | 0.78% | 0.76% | 0.81% | 0.59% | 0.41% | 0.50% | 0.51% | 0.44% | 0.86% |
| Valuation date | 7/1/2014 | 7/1/2013 | 7/1/2012 | 7/1/2011 | 7/1/2010 | 7/1/2009 | 7/1/2008 | 7/1/2007 | 7/1/2006 | 7/1/2005 |
| Assumed investment rate of return | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |

**Notes to schedule**

Methods and assumptions used to determine contribution rates:

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

**CITY OF STAYTON**

**Schedule of Money-Weighted Rate of Return**

**Last 10 Plan Years***

| Year Ended June 30, | Rate of Return |
|---|---|
| 2017 | 9.84% |
| 2016 | 1.77% |

*Information will be accumulated until 10 years are presented

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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## CITY OF STAYTON

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## June 30, 2017

| | Special Revenue | Capital Projects | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 254,790 | $ 2,496,857 | $ 2,751,647 |
| Receivables | 94,302 | - | 94,302 |
| Due from other funds | - | 207,600 | 207,600 |
| TOTAL ASSETS | $ 349,092 | $ 2,704,457 | $ 3,053,549 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | $ 19,740 | $ - | $ 19,740 |
| Due to other funds | 82,135 | - | 82,135 |
| TOTAL LIABILITIES | 101,875 | - | 101,875 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | 10,977 | - | 10,977 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 10,977 | - | 10,977 |
| **FUND BALANCES** | | | |
| Restricted for: | | | |
| Swimming pool | 62,156 | - | 62,156 |
| Capital projects | - | 1,509,162 | 1,509,162 |
| Committed for: | | | |
| Capital projects | - | 1,195,295 | 1,195,295 |
| Library programs | 206,773 | - | 206,773 |
| Unassigned | (32,689) | - | (32,689) |
| TOTAL FUND BALANCES | 236,240 | 2,704,457 | 2,940,697 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 349,092 | $ 2,704,457 | $ 3,053,549 |

## CITY OF STAYTON

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

| | Special Revenue | Capital Projects | Totals |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 341,495 | $ - | $ 341,495 |
| Licenses, permits and fees | 2,180 | - | 2,180 |
| Fines and forfeitures | 10,821 | - | 10,821 |
| Charges for services | 79,671 | - | 79,671 |
| Donations | 18,000 | - | 18,000 |
| System development charges | - | 320,816 | 320,816 |
| Intergovernmental | 2,696 | - | 2,696 |
| Grants | 60,355 | - | 60,356 |
| Rent | 1,332 | - | 1,332 |
| Interest | 2,679 | 29,018 | 31,697 |
| TOTAL REVENUES | 519,229 | 349,834 | 869,064 |
| **EXPENDITURES** | | | |
| Current | | | |
| Culture and recreation | 710,789 | - | 710,789 |
| Capital outlay | 112,978 | - | 112,978 |
| TOTAL EXPENDITURES | 823,767 | - | 823,767 |
| Excess (deficiency) of revenues over expenditures | (304,538) | 349,834 | 45,297 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 421,156 | 34,674 | 455,830 |
| Transfers out | (205,913) | (25,000) | (230,913) |
| TOTAL OTHER FINANCING SOURCES (USES) | 215,243 | 9,674 | 224,917 |
| Net change in fund balances | (89,295) | 359,508 | 270,214 |
| Fund balances at beginning of year | 328,155 | 2,114,949 | 2,443,104 |
| Prior period adjustment | (2,620) | 230,000 | 227,380 |
| Fund balances at end of year | $ 236,240 | $ 2,704,457 | $ 2,940,698 |

## CITY OF STAYTON

## COMBINING BALANCE SHEET
## NONMAJOR SPECIAL REVENUE FUNDS
## June 30, 2017

| | Library | Parks | Swimming Pool | Totals |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 191,692 | $ - | $ 63,098 | $ 254,790 |
| Receivables | 26,538 | 60,577 | 7,187 | 94,302 |
| TOTAL ASSETS | $ 218,230 | $ 60,577 | $ 70,285 | $ 349,092 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 6,072 | $ 11,012 | $ 2,656 | $ 19,740 |
| Due to other funds | - | 82,135 | - | 82,135 |
| TOTAL LIABILITIES | 6,072 | 93,147 | 2,656 | 101,875 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenue | 5,385 | 119 | 5,473 | 10,977 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 5,385 | 119 | 5,473 | 10,977 |
| **FUND BALANCES** | | | | |
| Restricted for swimming pool operations | - | - | 62,156 | 62,156 |
| Committed for: | | | | |
| Library programs | 206,773 | - | - | 206,773 |
| Unassigned | - | (32,689) | - | (32,689) |
| TOTAL FUND BALANCES | 206,773 | (32,689) | 62,156 | 236,240 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 218,230 | $ 60,577 | $ 70,285 | $ 349,092 |

CITY OF STAYTON

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

| | Library | Parks | Trust and Agency | Grant | Swimming Pool | Totals |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Property taxes | $ 164,325 | $ 10,194 | $ - | $ - | $ 166,976 | $ 341,495 |
| Licenses, permits and fees | 2,180 | - | - | - | - | 2,180 |
| Fines and forfeitures | 10,821 | - | - | - | - | 10,821 |
| Charges for services | 79,671 | - | - | - | - | 79,671 |
| Donations | 18,000 | - | - | - | - | 18,000 |
| Intergovernmental | 2,696 | - | - | - | - | 2,696 |
| Grants | - | 60,355 | - | - | - | 60,355 |
| Rent | 1,332 | - | - | - | - | 1,332 |
| Interest | 1,967 | 3 | - | - | 709 | 2,679 |
| TOTAL REVENUES | 280,992 | 70,552 | - | - | 167,685 | 519,229 |
| **EXPENDITURES** | | | | | | |
| Current | | | | | | |
| Culture and recreation | 380,111 | 154,752 | - | - | 175,926 | 710,789 |
| Capital outlay | 1,963 | 111,015 | - | - | - | 112,978 |
| TOTAL EXPENDITURES | 382,074 | 265,767 | - | - | 175,926 | 823,767 |
| Excess (deficiency) of revenues over expenditures | (101,082) | (195,215) | - | - | (8,241) | (304,538) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Transfers in | 180,000 | 225,000 | - | 1,156 | 15,000 | 421,156 |
| Transfers out | (27,700) | (62,474) | (108,239) | - | (7,500) | (205,913) |
| TOTAL OTHER FINANCING SOURCES (USES) | 152,300 | 162,526 | (108,239) | 1,156 | 7,500 | 215,243 |
| Net change in fund balances | 51,218 | (32,689) | (108,239) | 1,156 | (741) | (89,295) |
| Fund balances at beginning of year | 155,555 | - | 108,239 | (1,156) | 65,517 | 328,155 |
| Prior period adjustment | - | - | - | - | (2,620) | (2,620) |
| Fund balances at end of year | $ 206,773 | $ (32,689) | $ - | $ - | $ 62,156 | $ 236,240 |

**CITY OF STAYTON**

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

| | System Development Charges | Vehicle Replacement | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 1,509,162 | $ 987,695 | $ 2,496,857 |
| Due from other funds | - | 207,600 | 207,600 |
| TOTAL ASSETS | $ 1,509,162 | $ 1,195,295 | $ 2,704,457 |
| **FUND BALANCES** | | | |
| Restricted for capital projects | $ 1,509,162 | $ - | $ 1,509,162 |
| Committed for capital projects | - | 1,195,295 | 1,195,295 |
| TOTAL FUND BALANCES | 1,509,162 | 1,195,295 | 2,704,457 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 1,509,162 | $ 1,195,295 | $ 2,704,457 |

## CITY OF STAYTON

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

| | System Development Charges | Vehicle Replacement | Parks Construction | Totals |
|---|---|---|---|---|
| **REVENUES** | | | | |
| System development charges | $ 320,816 | $ - | $ - | $ 320,816 |
| Interest | 14,736 | 14,282 | - | 29,018 |
| TOTAL REVENUES | 335,552 | 14,282 | - | 349,834 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | - | 34,674 | 34,674 |
| Transfers out | (25,000) | - | - | (25,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (25,000) | - | 34,674 | 9,674 |
| Net change in fund balances | 310,552 | 14,282 | 34,674 | 359,508 |
| Fund balances at beginning of year | 968,610 | 1,181,013 | (34,674) | 2,114,949 |
| Prior period adjustment | 230,000 | - | - | 230,000 |
| Fund balances at end of year | $ 1,509,162 | $ 1,195,295 | $ - | $ 2,704,457 |

**CITY OF STAYTON**

**LIBRARY - SPECIAL REVENUE FUND**
**SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
**For the Year Ended June 30, 2017**

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 164,100 | $ 164,325 | $ 225 |
| Charges for services | 13,000 | 3,512 | (9,488) |
| Intergovernmental | 83,300 | 82,367 | (933) |
| Miscellaneous | 35,400 | 30,788 | (4,612) |
| TOTAL REVENUES | 295,800 | 280,992 | (14,808) |
| **EXPENDITURES** | | | |
| Personal services | 358,100 | 259,698 | 98,402 |
| Materials and services | 139,351 | 122,376 | 16,975 |
| Contingency | 84,993 | - | 84,993 |
| TOTAL EXPENDITURES | 582,444 | 382,074 | 200,370 |
| Excess (deficiency) of revenues over expenditures | (286,644) | (101,082) | 185,562 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 180,000 | 180,000 | - |
| Transfers out | (27,700) | (27,700) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 152,300 | 152,300 | - |
| Net change in fund balance | (134,344) | 51,218 | 185,562 |
| Fund balance at beginning of year | 134,344 | 155,555 | 21,211 |
| Fund balance at end of year | $ - | $ 206,773 | $ 206,773 |

## CITY OF STAYTON

### PARKS - SPECIAL REVENUE FUND
### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
### For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 10,000 | $ 10,194 | $ 194 |
| Grants | - | 60,355 | 60,355 |
| Interest | - | 3 | 3 |
| TOTAL REVENUES | 10,000 | 70,552 | 60,552 |
| **EXPENDITURES** | | | |
| Personal services | 79,200 | 75,839 | 3,361 |
| Materials and services | 80,900 | 78,913 | 1,987 |
| Capital outlay | 110,000 | 111,015 | (1,015) |
| Contingency | 37,100 | - | 37,100 |
| TOTAL EXPENDITURES | 307,200 | 265,767 | 41,433 |
| Excess (deficiency) of revenues over expenditures | (297,200) | (195,215) | 101,985 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 325,000 | 225,000 | (100,000) |
| Transfers out | (27,800) | (62,474) | (34,674) |
| TOTAL OTHER FINANCING SOURCES (USES) | 297,200 | 162,526 | (134,674) |
| Net change in fund balance | - | (32,689) | (32,689) |
| Fund balance at beginning of year | - | - | - |
| Fund balance at end of year | $ - | $ (32,689) | $ (32,689) |

## CITY OF STAYTON

## TRUST AND AGENCY - SPECIAL REVENUE FUND
## SCHEDULE OF REVENUES, EXPENDITURES
## AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
## For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | $ - | $ (108,239) | $ (108,239) |
| Net change in fund balance | - | (108,239) | (108,239) |
| Fund balance at beginning of year | - | 108,239 | 108,239 |
| Fund balance at end of year | $ - | $ - | $ - |

# CITY OF STAYTON

## GRANT - SPECIAL REVENUE FUND
## SCHEDULE OF REVENUES, EXPENDITURES
## AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
## For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | $ - | $ 1,156 | $ 1,156 |
| Net change in fund balance | - | 1,156 | 1,156 |
| Fund balance at beginning of year | - | (1,156) | (1,156) |
| Fund balance at end of year | $ - | $ - | $ - |

**CITY OF STAYTON**

**SWIMMING POOL - SPECIAL REVENUE FUND**
**SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
**For the Year Ended June 30, 2017**

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 166,800 | $ 166,976 | $ 176 |
| Interest | 100 | 709 | 609 |
| TOTAL REVENUES | 166,900 | 167,685 | 785 |
| **EXPENDITURES** | | | |
| Materials and services | 160,200 | 175,926 | (15,726) |
| Contingency | 63,676 | - | 63,676 |
| TOTAL EXPENDITURES | 223,876 | 175,926 | 47,950 |
| Excess (deficiency) of revenues over expenditures | (56,976) | (8,241) | 48,735 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 15,000 | 15,000 | - |
| Transfers out | (7,500) | (7,500) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 7,500 | 7,500 | - |
| Net change in fund balance | (49,476) | (741) | 48,735 |
| Fund balance at beginning of year | 49,476 | 65,517 | 16,041 |
| Prior period adjustment | - | (2,620) | (2,620) |
| Fund balance at end of year | $ - | $ 62,156 | $ 62,156 |

## CITY OF STAYTON

### SYSTEM DEVELOPMENT CHARGES - CAPITAL PROJECTS FUND
### SCHEDULE OF REVENUES, EXPENDITURES
### AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
### For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| System development charges | $ 120,300 | $ 320,816 | $ 200,516 |
| Interest | 3,600 | 14,736 | 11,136 |
| TOTAL REVENUES | 123,900 | 335,552 | 211,652 |
| **EXPENDITURES** | | | |
| Contingency | 1,245,526 | - | 1,245,526 |
| TOTAL EXPENDITURES | 1,245,526 | - | 1,245,526 |
| Excess (deficiency) of revenues over expenditures | (1,121,626) | 335,552 | 1,457,178 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | (25,000) | (25,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (25,000) | (25,000) | - |
| Net change in fund balance | (1,146,626) | 310,552 | 1,457,178 |
| Fund balance at beginning of year | 1,146,626 | 968,610 | (178,016) |
| Prior period adjustment | - | 230,000 | 230,000 |
| Fund balance at end of year | $ - | $ 1,509,162 | $ 1,509,162 |

**CITY OF STAYTON**

**VEHICLE REPLACEMENT - CAPITAL PROJECTS FUND**
**SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
**For the Year Ended June 30, 2017**

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Interest | $ 3,000 | $ 14,282 | $ 11,282 |
| Miscellaneous | 22,400 | 22,400 | - |
| TOTAL REVENUES | 25,400 | 36,682 | 11,282 |
| **EXPENDITURES** | | | |
| Contingency | 1,008,864 | - | 1,008,864 |
| TOTAL EXPENDITURES | 1,008,864 | - | 1,008,864 |
| Net change in fund balance | (983,464) | 36,682 | 1,020,146 |
| Fund balance at beginning of year | 983,464 | 1,181,013 | 197,549 |
| Prior period adjustment | - | (230,000) | (230,000) |
| Fund balance at end of year | $ - | 987,695 | $ 987,695 |
| ***Reconciliation to generally accepted accounting principles*** | | | |
| Due from other funds | | 207,600 | |
| Fund balances at end of year | | $ 1,195,295 | |

CITY OF STAYTON

**PARKS CONSTRUCTION - CAPITAL PROJECTS FUND**
**SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
**For the Year Ended June 30, 2017**

| | Budget | Actual | Variance |
|---|---|---|---|
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | $ - | $ 34,674 | $ 34,674 |
| Net change in fund balance | - | 34,674 | 34,674 |
| Fund balance at beginning of year | - | (34,674) | (34,674) |
| Fund balance at end of year | $ - | $ - | $ - |

## CITY OF STAYTON

### WATER - ENTERPRISE FUND (MAJOR FUND)
### SCHEDULE OF REVENUES, EXPENDITURES
### AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
### For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Charges for services | $ 1,780,000 | $ 1,733,328 | $ (46,672) |
| Interest | 100 | 10,655 | 10,555 |
| Miscellaneous | 1,000 | 13,225 | 12,225 |
| TOTAL REVENUES | 1,781,100 | 1,757,208 | (23,892) |
| **EXPENDITURES** | | | |
| Personal services | 398,400 | 351,527 | 46,873 |
| Materials and services | 517,600 | 432,299 | 85,301 |
| Capital outlay | 260,000 | 149,366 | 110,634 |
| Debt service | 358,900 | 331,649 | 27,251 |
| Contingency | 277,800 | - | 277,800 |
| TOTAL EXPENDITURES | 1,812,700 | 1,264,841 | 547,859 |
| Excess (deficiency) of revenues over expenditures | (31,600) | 492,367 | 523,967 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | (420,000) | (420,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (420,000) | (420,000) | - |
| Net change in fund balance | (451,600) | 72,367 | 523,967 |
| Fund balance at beginning of year | 666,393 | 783,745 | 117,352 |
| Fund balance at end of year | $ 214,793 | 856,112 | $ 641,319 |
| ***Reconciliation to generally accepted accounting principles*** | | | |
| Inventory | | 76,921 | |
| Capital assets, net | | 7,078,282 | |
| Deferred ouflows of resources | | 184,840 | |
| Accrued interest payable | | (10,603) | |
| Compensated absences payable | | (12,424) | |
| Net other postemployment benefits obligation | | (27,610) | |
| Net pension liability | | (136,080) | |
| Long-term obligations | | (4,274,798) | |
| Deferred inflows of resources | | (11,648) | |
| Net position - ending | | $ 3,722,992 | |

## CITY OF STAYTON

### WASTEWATER - ENTERPRISE FUND (MAJOR FUND)
### SCHEDULE OF REVENUES, EXPENDITURES
### AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
### For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Charges for services | $ 2,989,225 | $ 3,026,899 | $ 37,674 |
| Interest | 12,500 | 29,926 | 17,426 |
| Miscellaneous | 2,500 | 12,041 | 9,541 |
| TOTAL REVENUES | 3,004,225 | 3,068,866 | 64,641 |
| **EXPENDITURES** | | | |
| Personal services | 583,400 | 544,074 | 39,326 |
| Materials and services | 935,400 | 947,516 | (12,116) |
| Capital outlay | 1,005,000 | 127,893 | 877,107 |
| Debt service | 825,597 | 825,597 | - |
| Contingency | 541,100 | - | 541,100 |
| TOTAL EXPENDITURES | 3,890,497 | 2,445,080 | 1,445,417 |
| Excess (deficiency) of revenues over expenditures | (886,272) | 623,786 | 1,510,058 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | - | 96,494 | 96,494 |
| Transfers out | (389,100) | (389,100) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (389,100) | (292,606) | 96,494 |
| Net change in fund balance | (1,275,372) | 331,180 | 1,606,552 |
| Fund balance at beginning of year | 2,700,867 | 2,813,141 | 112,274 |
| Fund balance at end of year | $ 1,425,495 | 3,144,321 | $ 1,718,826 |
| ***Reconciliation to generally accepted accounting principles*** | | | |
| Inventory | | 340,325 | |
| Capital assets, net | | 13,403,661 | |
| Deferred ouflows of resources | | 179,005 | |
| Accrued interest payable | | (185,900) | |
| Compensated absences payable | | (17,421) | |
| Net other post-employment benefits | | (37,742) | |
| Net pension liability | | (186,014) | |
| Long-term obligations | | (12,365,023) | |
| Deferred inflows of resources | | (15,923) | |
| Net position - ending | | $ 4,259,289 | |

**CITY OF STAYTON**

**STORMWATER - ENTERPRISE FUND (MAJOR FUND)**
**SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
**For the Year Ended June 30, 2017**

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Charges for services | $ 238,000 | $ 273,220 | $ 35,220 |
| Interest | 400 | 650 | 250 |
| TOTAL REVENUES | 238,400 | 273,870 | 35,470 |
| **EXPENDITURES** | | | |
| Personal services | 37,800 | 36,295 | 1,505 |
| Materials and services | 66,900 | 51,449 | 15,451 |
| Capital outlay | 90,000 | 65,571 | 24,429 |
| Debt service | 23,800 | 23,800 | - |
| Contingency | 57,434 | - | 57,434 |
| TOTAL EXPENDITURES | 275,934 | 177,115 | 98,819 |
| Excess (deficiency) of revenues over expenditures | (37,534) | 96,755 | 134,289 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | (90,700) | (90,700) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (90,700) | (90,700) | - |
| Net change in fund balance | (128,234) | 6,055 | 134,289 |
| Fund balance at beginning of year | 128,234 | 105,840 | (22,394) |
| Fund balance at end of year | $ - | 111,895 | $ 111,895 |
| ***Reconciliation to generally accepted accounting principles*** | | | |
| Capital assets, net | | 1,151,468 | |
| Deferred ouflows of resources | | 10,798 | |
| Due to other funds | | (207,600) | |
| Net other postemployment benefit obligation | | (2,277) | |
| Net pension liability | | (11,222) | |
| Deferred inflows of resources | | (961) | |
| Net position - ending | | $ 1,052,101 | |

**CITY OF STAYTON**

**STORMWATER CONSTRUCTION - ENTERPRISE FUND (MAJOR FUND)**
**SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
**For the Year Ended June 30, 2017**

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Intergovernmental | $ 1,544,000 | $ 1,119,011 | $ (424,989) |
| TOTAL REVENUES | 1,544,000 | 1,119,011 | (424,989) |
| **EXPENDITURES** | | | |
| Materials and services | 220,000 | 39,505 | 180,495 |
| Capital outlay | 1,324,000 | 1,050,717 | 273,283 |
| TOTAL EXPENDITURES | 1,544,000 | 1,090,222 | 453,778 |
| Net change in fund balance | - | 28,789 | 28,789 |
| Fund balance at beginning of year | - | (38,660) | (38,660) |
| Fund balance at end of year | $ - | $ (9,871) | $ (9,871) |

# CITY OF STAYTON

## SUBLIMITY RECD - ENTERPRISE FUND (MAJOR FUND)
## SCHEDULE OF REVENUES, EXPENDITURES
## AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
### For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | $ - | $ (96,494) | $ (96,494) |
| Net change in fund balance | - | (96,494) | (96,494) |
| Fund balance at beginning of year | - | 96,494 | 96,494 |
| Fund balance at end of year | $ - | $ - | $ - |

# CITY OF STAYTON

## COMBINING STATEMENT OF NET POSITION
## INTERNAL SERVICE FUNDS
## June 30, 2017

| | Public Works | Facilities | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 249,401 | $ 497,335 | $ 746,736 |
| TOTAL ASSETS | 249,401 | 497,335 | 746,736 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Pension related items | 94,239 | - | 94,239 |
| Other postemployment benefit related items | 2,540 | - | 2,540 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 96,779 | - | 96,779 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 20,252 | - | 20,252 |
| Compensated absences payable | 6,730 | - | 6,730 |
| Total current liabilities | 26,982 | - | 26,982 |
| Long-term obligations due in more than one year | 120,974 | - | 120,974 |
| TOTAL LIABILITIES | 147,956 | - | 147,956 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension related items | 8,609 | - | 8,609 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 8,609 | - | 8,609 |
| **NET POSITION** | | | |
| Unrestricted | 189,615 | 497,335 | 686,950 |
| TOTAL NET POSITION | $ 189,615 | $ 497,335 | $ 686,950 |

CITY OF STAYTON

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS For the Year Ended June 30, 2017**

| | Public Works | Facilities | Totals |
|---|---|---|---|
| **OPERATING EXPENSES** | | | |
| Personal services | $ 304,643 | $ 9,903 | $ 314,546 |
| Materials and services | 79,248 | - | 79,248 |
| Total operating expenses | 383,891 | 9,903 | 393,794 |
| Operating (loss) | (383,891) | (9,903) | (393,794) |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Rents | - | 50,713 | 50,713 |
| Interest | 2,109 | 4,688 | 6,797 |
| Miscellaneous | 9,495 | - | 9,495 |
| Total nonoperating revenues (expenses) | 11,604 | 55,401 | 67,005 |
| Income (loss) before transfers | (372,287) | 45,498 | (326,789) |
| Transfers in | 430,093 | 81,100 | 511,193 |
| Transfers out | (11,238) | - | (11,238) |
| Change in net position | 46,568 | 126,598 | 173,166 |
| Total net position at beginning of year | 157,585 | 370,737 | 528,322 |
| Prior period adjustment | (14,538) | - | (14,538) |
| Total net position at end of year | $ 189,615 | $ 497,335 | $ 686,950 |

**CITY OF STAYTON**

**COMBINING STATEMENT OF CASH FLOWS**
**INTERNAL SERVICE FUNDS**
**For the Year Ended June 30, 2017**

| | Public Works | Facilities | Totals |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITES** | | | |
| Payments to suppliers | $ (57,978) | $ (9,030) | $ (67,008) |
| Payments to employees | (286,296) | (9,903) | (296,199) |
| NET CASH (USED IN) OPERATING ACTIVITIES | (344,274) | (18,933) | (363,207) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Transfers in | 430,093 | 81,100 | 511,193 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | 430,093 | 81,100 | 511,193 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Other | 9,495 | - | 9,495 |
| Rents | - | 50,713 | 50,713 |
| Acquisition of capital assets | (11,238) | - | (11,238) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (1,743) | 50,713 | 48,970 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest on investments | 2,109 | 4,688 | 6,797 |
| Net increase in cash and cash equivalents | 86,185 | 117,568 | 203,753 |
| Cash and cash equivalents- beginning of year | 163,216 | 379,767 | 542,983 |
| Cash and cash equivalents - end of year | $ 249,401 | $ 497,335 | $ 746,736 |
| **RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES** | | | |
| Operating (loss) | $ (383,891) | $ (9,903) | $ (393,794) |
| Adjustments to reconcile operating (loss) to net cash (used in) operating activities | | | |
| (Increase) in assets and deferred outflows | | | |
| Prepaid items | 2,560 | - | 2,560 |
| Pension related items | (29,959) | - | (29,959) |
| Other postemployment benefit related items | (728) | - | (728) |
| Increase (decrease) in liabilities and deferred inflows | | | |
| Accounts payable and accrued liabilities | 18,710 | (9,030) | 9,680 |
| Compensated absences payable | 58 | - | 58 |
| Net pension liability | 53,442 | - | 53,442 |
| Other postemployment benefit obligation | 4,055 | - | 4,055 |
| Pension related items | (8,521) | - | (8,521) |
| NET CASH (USED IN) OPERATING ACTIVITIES | $ (344,274) | $ (18,933) | $ (363,207) |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS** | | | |
| Transfers out | $ 11,238 | $ - | $ 11,238 |

CITY OF STAYTON

PUBLIC WORKS - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Interest | $ 400 | $ 2,109 | $ 1,709 |
| Miscellaneous | - | 9,495 | 9,495 |
| TOTAL REVENUES | 400 | 11,604 | 11,204 |
| **EXPENDITURES** | | | |
| Personal services | 314,400 | 286,296 | 28,104 |
| Materials and services | 92,600 | 90,486 | 2,114 |
| Contingency | 121,542 | - | 121,542 |
| TOTAL EXPENDITURES | 528,542 | 376,782 | 151,760 |
| Excess (deficiency) of revenues over expenditures | (528,142) | (365,178) | 162,964 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 407,100 | 430,093 | 22,993 |
| TOTAL OTHER FINANCING SOURCES (USES) | 407,100 | 430,093 | 22,993 |
| Net change in fund balance | (121,042) | 64,915 | 185,957 |
| Fund balance at beginning of year | 121,042 | 164,234 | 43,192 |
| Fund balance at end of year | $ - | 229,149 | $ 229,149 |
| ***Reconciliation to generally accepted accounting principles*** | | | |
| Deferred ouflows of resources | | 96,779 | |
| Compensated absences payable | | (6,730) | |
| Net other postemployment benefit obligation | | (20,405) | |
| Net pension liability | | (100,569) | |
| Deferred inflows of resources | | (8,609) | |
| Net position - ending | | $ 189,615 | |

## CITY OF STAYTON

### FACILITIES - INTERNAL SERVICE FUND
### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
### For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Rent | $ 47,800 | $ 50,713 | $ 2,913 |
| Interest | 1,100 | 4,688 | 3,588 |
| TOTAL REVENUES | 48,900 | 55,401 | 6,501 |
| **EXPENDITURES** | | | |
| Personal services | 23,300 | 9,903 | 13,397 |
| Materials and services | 25,000 | - | 25,000 |
| Contingency | 342,451 | - | 342,451 |
| TOTAL EXPENDITURES | 390,751 | 9,903 | 380,848 |
| Excess (deficiency) of revenues over expenditures | (341,851) | 45,498 | 387,349 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 81,100 | 81,100 | - |
| Transfers out | (100,000) | - | 100,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (18,900) | 81,100 | 100,000 |
| Net change in fund balance | (360,751) | 126,598 | 487,349 |
| Fund balance at beginning of year | 360,751 | 370,737 | 9,986 |
| Fund balance at end of year | $ - | $ 497,335 | $ 497,335 |

**CITY OF STAYTON**

**COMBINING STATEMENT OF NET POSITION**
**PENSION TRUST FUNDS**
**June 30, 2017**

| | Retirement Plan for Employees of the City of Stayton | Retirement Health Insurance Account | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 324,395 | $ 4,490 | $ 328,885 |
| Receivables | 26,571 | 1,366 | 27,937 |
| Investments, at fair value | | | |
| Mutual funds | 6,531,945 | 90,407 | 6,622,352 |
| TOTAL ASSETS | 6,882,911 | 96,263 | 6,979,174 |
| **NET POSITION** | | | |
| Net position held in trust for: | | | |
| Pension benefits | 6,882,911 | - | 6,882,911 |
| Other post-employment benefits | - | 96,263 | 96,263 |
| TOTAL NET POSITION | $ 6,882,911 | $ 96,263 | $ 6,979,174 |

## CITY OF STAYTON

### COMBINING STATEMENT OF CHANGES IN NET POSITION
### PENSION TRUST FUNDS
### For the Year Ended June 30, 2017

| | Retirement Plan for Employees of the City of Stayton | Retirement Health Insurance Account | Totals |
|---|---|---|---|
| **ADDITIONS** | | | |
| Employer contributions | $ 300,483 | $ 16,000 | $ 316,483 |
| Investment earnings | 647,240 | 8,689 | 655,929 |
| Total additions | 947,723 | 24,689 | 972,412 |
| **DEDUCTIONS** | | | |
| Benefits | 307,781 | 8,400 | 316,181 |
| Administrative expenses | 24,548 | 314 | 24,862 |
| Total deductions | 332,329 | 8,714 | 341,043 |
| Change in net position | 615,394 | 15,975 | 631,369 |
| Net position - beginning of year | 6,267,517 | 80,288 | 6,347,805 |
| Net position - end of year | $ 6,882,911 | $ 96,263 | $ 6,979,174 |

# COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
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## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **CITY OF STAYTON** as of and for the year ended June 30, 2017, and have issued our report thereon dated May 23, 2018.

### Compliance

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

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

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

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

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

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

| Fund/Category | Appropriation | Actual | Variance |
|---|---|---|---|
| Parks | | | |
| Capital outlay | $ 110,000 | $ 111,015 | $ (1,015) |
| Swimming Pool | | | |
| Materials and services | 160,200 | 175,926 | (15,726) |
| Wastewater | | | |
| Materials and services | 935,400 | 947,516 | (12,116) |

B. Transfers budgeted for in 2017-18 did not balance. Transfers in were budgeted as $2,798,900 and transfers out were budgeted as $2,760,100 in the 2017-18 adopted budget.

C. The public official responsible for public funds did not provide the Oregon State Treasurer with the name and address of the bank depository as required by OAR 170-040-0050.

**OAR 162-10-0230 Internal Control**

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

**Restriction on Use**

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

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
May 23, 2018

By:

Bradley G. Bingenheimer, Member

Boldt Carlisle + Smith
CERTIFIED PUBLIC ACCOUNTANTS
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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
CITY OF STAYTON
Stayton, Oregon

We have audited, in accordance with 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 23, 2018.

***Internal Control over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)**

***Compliance and Other Matters***

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

**City of Stayton's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
May 23, 2018

# CITY OF STAYTON

## SCHEDULE OF FINDINGS AND RESPONSES
**For the Year Ended June 30, 2017**

2017-001 Payroll

| | |
|---|---|
| Criteria: | An in-depth review of payroll is needed to ensure employees receive accurate pay. |
| Condition: | Payroll was not reviewed during the year prior to processing. As a result, there were numerous inaccuracies and overpayments. |
| Cause: | Internal controls were not properly designed to allow for a review of payroll prior to processing and payment. |
| Effect: | A material misstatement could occur, due to error or fraud, and not be prevented or detected. |
| Response: | See pages 105 and 106. |

2017-002 Journal entries

| | |
|---|---|
| Criteria: | All journal entries posted to the general ledger should be reviewed and include appropriate backup documentation. |
| Condition: | Many journal entries made during the year did not have proper approval or support. |
| Cause: | Internal controls were not properly designed to allow for a review of all journal entries and their backup documentation. |
| Effect: | A material misstatement could occur, due to error or fraud, and not be prevented or detected. |
| Response: | See pages 105 and 106. |

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# City of Stayton

**Administration • Finance**
362 N. Third Avenue • Stayton, OR 97383
Phone: (503) 769-3425 • Fax (503) 769-1456

March 28, 2018

Jessica Luther-Haynes
Brad Bingenheimer
Boldt Carlisle and Smith, CPA's
408 N. Third Avenue
Stayton, Oregon 97383

Re: Fiscal Year Ended June 30, 2017 audit findings

Via: email jluther@bscllc.com; bradb@bcsllc.com

Ms. Luther-Haynes and Mr. Bingenheimer

We appreciate your efforts to complete the City's audit, discuss your findings with Ms. Chauran and myself and the recommendations you provided for improvements to the City's internal controls. We implemented your recommendations several months ago. We anticipated our conversation was the end of the issue. To receive "findings" in a written communication several months later was not expected.

To address your findings, with respect to payroll, as communicated during field work, Ms. Chauran has had an ongoing issue with Caselle (the City's accounting software vendor) and overtime rates since before she had responsibility for payroll, i.e., several years. This is a "systemic" issue that required Ms. Chauran to hand calculate overtime pay in several cases during her review of payroll and prior to preparing and issuing checks. Ms. Chauran worked diligently with two different payroll experts with Caselle to identify the programming issue. Caselle took the City's data and rebuilt the payroll system. The system is now corrected and working as the program should.

Ms. Chauran recently moved into an office to allow her to concentrate and do a more thorough examination of payroll and other accounting functions where before she was in an office with constant interruption. Ms. Chauran has increased her documentation of any payroll issue she has noted, steps taken to correct the issue and labeled in a payroll binder for full disclosure and detail for subsequent review.

Ms. Chauran is currently working on a project to make the payroll time cards more integrated and live with the Caselle payroll system and the next phase will be to integrate another staff employee to complete the review process, with Ms. Chauran approving.

Additionally, the City has several internal control processes in place to identify "material" errors.
1. The outsourced finance consultant, i.e., Mr. Parks, reviews the financial budget/actual reports on a monthly basis. During his review "material" items and irregularities are identified and investigated by City staff, with findings reviewed with Mr. Parks, with any corrections, adjustments, etc. or other actions taken to correct any errors.

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2. The monthly budget/actual reports are distributed to each department head for review. Department heads are tasked with identifying any irregularities to finance.
3. Prior to signing pay checks, I review the amount of each check. Any significant discrepancies with anticipated pay are identified and communicated to finance for explanation.
4. Material adjustments to accounts are communicated to the affected department head.

Utilizing the review processes noted above, immaterial inaccuracies or errors are possible, however, we believe "material" misstatements of payroll related accounting activity would be detected. The additional work performed by Ms. Chauran with Caselle corrects our "systemic" issues, which created the series of minor errors identified in the audit.

In addition to the above internal control processes, to gain additional time for oversight and to enhance segregation of duties, the City moved a significant amount of cash/check/credit card processing activity to X-press Bill Pay and outsourced utilities and accounts receivable bill printing and mailing to Bend Mailing Service. We have also restructured our office to implement more productive work stations.

With respect to journal entries, Ms. Chauran created a journal entry binder that shows in detail the description and approval to any journal entry. The entries are labeled monthly with back up of every entry made to the JE journal, CD Journal, and CRJE Journal. (All these entries are the manual entry's). We will be reviewing recurring journal entries and where possible processing transactions through other subsidiary systems, such as cash receipts for ACH payments received.

The last two years have been a learning transition in processes and changes for City staff. Ms. Chauran has taken ownership to investigate the software irregularities issue with Caselle and was diligent with the support staff at Caselle until the issue was resolved. Ms. Chauran discussed the attached findings with Ms. Luther-Haynes when she was on site and implemented the changes as recommended.

We appreciate your efforts and assistance as we improve our accounting department operations.

If you have any questions or require anything further, please feel free to contact me.

3/28/18

Keith Campbell, City Manager Date