CITY OF STAYTON

Stayton, Oregon

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018

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CITY OF STAYTON
OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2018

MAYOR

Henry Porter

CITY COUNCIL*

Brian Quigley

Priscilla Glidewell

Joe Usselman

Mark Kronquist

*The Mayor and Councilors receive mail at the City address

CITY MANAGER

Keith Campbell

CITY ADDRESS

362 N. Third Avenue
Stayton, Oregon 97383

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CITY OF STAYTON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of CITY OF STAYTON, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2018, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the General and Street Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i through vii* and the schedules of proportionate share of the net pension liability, contributions, net pension liability and changes in net pension liability, employer contributions, 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 December 12, 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 December 12, 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
December 12, 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, 2018.

Financial Highlights

The City's governmental activities assets totaled $14.7 million at June 30, 2018, consisting of $9.6 million in net capital assets, $4.8 million in net cash and investments (netted with internal balances) and $0.4 million in receivables and other assets. The City's governmental activities liabilities totaled $2.4 million at June 30, 2018, consisting of $2.1 million in noncurrent liabilities and $0.3 million in accounts payable, and other liabilities. The City's total net position – governmental activities - was $13.0 million of which $9.6 million is invested in capital assets, $2.1 million is restricted and the remaining $1.3 million is unrestricted.

The City's governmental activities net position increased by $0.1 million or 0.8 percent. Overall governmental activities revenue increased by $518,000 or 10.8 percent. The most significant revenue changes from the previous year were an increase in charges for services ($194,000), property taxes ($132,000) and voter approved local fuel taxes implemented in fiscal year 2018 ($194,000), and a decrease in capital grants and contributions (-$55,000). Other changes to revenue include; miscellaneous revenue $41,000, investment earnings $44,000, intergovernmental $37,000 and a reduction in franchise fees of $8,000.

The City's business-type activities assets totaled $27.0 million at June 30, 2018, consisting of $20.7 million in capital assets, $6.1 million in cash and investments and internal balances and $0.8 million in receivables and other assets. The City's business-type activities liabilities totaled $16.5 million at June 30, 2018, consisting of $15.4 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 $11.3 million of which $4.8 million is invested in capital assets, net of related debt, $1.0 million is restricted and the remaining $5.4 million is unrestricted.

The City's business-type activities net position increased by $1.3 million or 12.8 percent. Business-type activities revenue decreased by $0.9 million or minus 14.6 percent. Capital grants and contributions were $0.3 million in fiscal year 2018 compared to $1.2 million in fiscal year 2017. Charges for services decreased $19,000 or minus 0.4 percent.

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).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

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	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	$ 5,131	$ 4,864	$ 6,944	$ 5,413	$ 12,075	$ 10,277
Capital assets	9,555	9,302	20,730	21,634	30,285	30,936
Total assets	14,686	14,166	27,674	27,047	42,360	41,213
Deferred outflows of resources	848	1,364	294	471	1,142	1,835
Liabilities						
Long-term liabilities	2,059	2,381	16,153	16,424	18,212	18,805
Other liabilities	280	189	377	1,050	657	1,239
Total liabilities	2,339	2,570	16,530	17,474	18,869	20,044
Deferred inflows of resources	191	54	149	37	340	91
Net position:						
Net investment in capital assets	9,555	9,302	4,828	4,994	14,383	14,296
Restricted for:						
Highways and streets	1,095	711	-	-	1,095	711
Swimming pool	163	67	-	-	163	67
Capital projects	736	713	1,035	796	1,771	1,509
Other purposes	106	107	-	-	106	107
Unrestricted	1,348	2,006	5,427	4,217	6,775	6,223
Total net position	$ 13,003	$ 12,906	$ 11,290	$ 10,007	$ 24,293	$ 22,913

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 $24.3 million as of June 30, 2018, an increase of $1.4 million (6.0%) from June 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	$ 616	$ 422	$ 5,015	$ 5,034	$ 5,631	$ 5,456
Operating grants and contributions	512	564	-	-	512	564
Capital grants and contributions	283	338	305	1,221	588	1,559
General revenue						
Property taxes	2,343	2,211	-	-	2,343	2,211
Fuel taxes	194	-	-	-	-	-
Franchise fees	822	830	-	-	822	830
Intergovernmental	257	220	-	-	257	220
Miscellaneous	203	162	1	35	204	197
Investment earnings	89	55	92	50	181	105
Total revenue	5,319	4,801	5,413	6,340	10,538	11,142
Expenses						
Governmental activites						
General government	1,375	1,358	-	-	-	1,358
Public safety	2,315	2,186	-	-	2,315	2,186
Highways and streets	601	485	-	-	601	485
Culture and recreation	1,144	938	-	-	1,144	938
Business-type activities						
Water	-	-	1,434	1,385	1,434	1,385
Sewer	-	-	2,300	2,491	2,300	2,491
Stormwater	-	-	183	168	183	168
Total expenses	5,435	4,967	3,917	4,044	7,977	9,635
Change in net position before transfers	- 116	- 166	1,496	2,296	1,380	2,130
Transfers	213	222	- 213	- 222	-	-
Change in net position	97	56	1,283	2,074	1,380	2,130
Net position - beginning	12,906	12,690	10,007	8,238	22,913	20,928
Prior period adjustment	-	160	-	- 305	-	- 145
Net position - beginning, as restated	12,906	12,850	10,007	7,933	22,913	20,783
Net position - ending	$ 13,003	$ 12,906	$ 11,290	$ 10,007	$ 24,293	$ 22,913

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 $97,000 (0.7%).

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 $5.3 million an increase of $0.25 million (5.0%) 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 $1.4 million.

The fund balance of the City's General Fund increased by $0.05 million (3.4%) during the current fiscal year. The fund balance of the Street Fund increased by $0.4 million (54.0%) to $1.1 million.

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

As of June 30, 2018, the unrestricted net position of the propriety funds are as follows:

- Water Fund $1.2 million
- Sewer Fund $3.9 million
- Stormwater Fund ($5,285)
- Stormwater Construction Fund $0.09 million

General Fund Budgetary Highlights

General Fund actual revenue of $3.5 million exceeded budgeted revenue of $3.2 million. Revenue sources with more than a ten percent variance to budget include:

- Licenses, permits and fees $71,921 greater (39%)
- Intergovernmental revenue $63,451 greater (32%)
- Interest income $17,510 greater (219%)
- Miscellaneous revenue $98,891 greater (380%)

Expenditures for the General Fund were underspent, net of contingency, by $0.059 million when compared to the budget ($3.72 million actual to $3.78 million budgeted). Departmental spending relative to budget in fiscal year 2018 is more consistent with budgeted amounts, resulting in actual amounts much closer to budgeted amounts as procedures have been put in place to provide improved information for budget preparation and review. The General Fund fund balance increased $47,749, or 3.4 percent during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Asset and Debt Administration

Capital assets. The City of Stayton's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to $30.3 million (net of accumulated depreciation). During fiscal year 2018 the City acquired $0.5 million of governmental assets while incurring $0.3 million in depreciation expense, for a net increase of $0.2 million in governmental assets. The City acquired $0.02 million of business-type assets, while incurring $0.9 million in depreciation expense, for a net reduction of $0.9 million in capital assets in business-type assets.

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, 2018:

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

	Governmental		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 1,759	$ 1,759	$ 1,347	$ 1,338	$ 3,106	$ 3,097
Buildings and improvements	3,087	3,175	4,343	4,469	7,430	7,644
Equipment and vehicles	678	628	644	755	1,322	1,383
Infrastructure	3,988	3,740	14,340	15,015	18,328	18,755
Construction in progress	43	-	56	56	99	56
Capital assets, net of depreciation	$ 9,555	$ 9,302	$ 20,730	$ 21,633	$ 30,285	$ 30,935

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 2018, the City of Stayton had total long-term liabilities outstanding of $15.9 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	
	2018	2017	2018	2017	2018	2017
Bonds payable	$ -	$ -	$ 15,902	$ 16,640	$ 15,902	$ 16,640
Notes payable	-	-	-	-	-	-
Total long-term debt payable	$ -	$ -	$ 15,902	$ 16,640	$ 15,902	$ 16,640

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

Economic Factors and Next Year's Budgets and Rates

In preparing the budget for fiscal year 2018-19, inflation was approximately 2.5 percent, property values were continuing a trend of modest increases, and population growth was very modest at 0.5 percent. Therefore, property taxes were budgeted to increase 3.0 percent, utility rates and street fees were increased by the inflation through March of 2.4 percent and population growth was budgeted at less than 0.5 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 at its peak in 2008. Going forward, personnel costs are anticipated to be negatively impacted by increased costs for PERS and health insurance. Additionally, with the labor market tightening, there will be continued pressure on salaries.

The City budgeted an investment of $400,000 in the City's retirement plan in fiscal year 2018-19 to eliminate its unfunded actuarial liability (City retirement plan only). The investment was made in October 2018. The investment reduced the City's retirement contribution rate slightly (less than 1.0%). 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 Director, 362 N. 3rd Avenue, Stayton, 97383.

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BASIC FINANCIAL STATEMENTS

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CITY OF STAYTON

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 5,670,346	$ 5,182,928	$ 10,853,274
Internal balances	(914,045)	914,045	-
Receivables, net	355,843	428,909	784,752
Inventory	-	417,720	417,720
Prepaid items	18,421	480	18,901
Capital assets:			
Land and construction in progress	1,802,323	1,402,777	3,205,100
Other capital assets, net	7,752,645	19,327,284	27,079,929
TOTAL ASSETS	14,685,533	27,674,143	42,359,676
DEFERRED OUTFLOWS OF RESOURCES			
Refunded debt charges	-	50,039	50,039
Pension related items	840,492	235,651	1,076,143
Other postemployment benefit related items	7,372	8,394	15,766
TOTAL DEFERRED OUTFLOWS OF RESOURCES	847,864	294,084	1,141,948
LIABILITIES			
Accounts payable and accrued liabilities	277,110	148,501	425,611
Accrued interest payable	-	192,296	192,296
Deposits	2,790	35,664	38,454
Long-term liabilities:			
Due within one year	153,591	796,871	950,462
Due in more than one year	1,905,367	15,356,302	17,261,669
TOTAL LIABILITIES	2,338,858	16,529,634	18,868,492
DEFERRED INFLOWS OF RESOURCES			
Pension related items	188,725	146,180	334,905
Other postemployment benefit related items	2,372	2,699	5,071
TOTAL DEFERRED INFLOWS OF RESOURCES	191,097	148,879	339,976
NET POSITION			
Net investment in capital assets	9,554,968	4,827,764	14,382,732
Restricted for:			
Highways and streets	1,095,384	-	1,095,384
Swimming pool	163,085	-	163,085
Capital projects	735,881	1,034,734	1,770,615
Other purposes	106,334	-	106,334
Unrestricted	1,347,790	5,427,216	6,775,006
TOTAL NET POSITION	$ 13,003,442	$ 11,289,714	$ 24,293,156

See accompanying notes

CITY OF STAYTON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Totals
Governmental activities:							
General government	$ 1,374,789	$ 51,753	$ -	$ -	$ (1,323,036)		$ (1,323,036)
Public safety	2,314,609	213,582	3,574	-	(2,097,453)		(2,097,453)
Highways and streets	601,199	88,124	500,455	181,483	168,863		168,863
Culture and recreation	1,144,294	262,986	7,763	101,838	(771,707)		(771,707)
TOTAL GOVERNMENTAL ACTIVITIES	5,434,891	616,445	511,792	283,321	(4,023,333)		(4,023,333)
Business-type activities:							
Water	1,433,413	1,765,474	-	110,258		$ 442,319	442,319
Wastewater	2,300,141	2,953,598	-	101,886		755,343	755,343
Stormwater	183,291	295,689	-	93,477		205,875	205,875
TOTAL BUSINESS-TYPE ACTIVITIES	3,916,845	5,014,761	-	305,621		1,403,537	1,403,537
TOTALS	$ 9,351,736	$ 5,631,206	$ 511,792	$ 588,942	(4,023,333)	1,403,537	(2,619,796)
General revenues:							
Taxes levied for:							
General purposes					1,984,914	-	1,984,914
Specific purposes					357,544	-	357,544
Franchise fees					822,322	-	822,322
Fuel taxes					194,344	-	194,344
Grants and contributions not restricted to specific programs					256,877	-	256,877
Rent					78,004	-	78,004
Unrestricted investment earnings					88,567	91,549	180,116
Miscellaneous					125,138	1,036	126,174
Transfers					213,300	(213,300)	-
TOTAL GENERAL REVENUES AND TRANSFERS					4,121,010	(120,715)	4,000,295
Change in net position					97,677	1,282,822	1,380,499
Net position - beginning					12,905,765	10,006,892	22,912,657
Net position - ending					$ 13,003,442	$ 11,289,714	$ 24,293,156

See accompanying notes

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Street	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,356,516	$ 1,220,180	$ 1,770,615	$ 811,678	$ 5,158,989
Receivables	236,179	76,717	-	42,947	355,843
Due from other funds	-	-	-	184,600	184,600
Prepaid items	18,421	-	-	-	18,421
TOTAL ASSETS	$ 1,611,116	$ 1,296,897	$ 1,770,615	$ 1,039,225	$ 5,717,853
LIABILITIES					
Accounts payable and accrued liabilities	$ 67,940	$ 201,513	$ -	$ 7,657	$ 277,110
Consumer deposits	2,790	-	-	-	2,790
TOTAL LIABILITIES	70,730	201,513	-	7,657	279,900
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	103,309	-	-	18,548	121,857
TOTAL DEFERRED INFLOWS OF RESOURCES	103,309	-	-	18,548	121,857
FUND BALANCES					
Nonspendable	18,421	-	-	-	18,421
Restricted for:					
Highways and streets	-	1,095,384	-	-	1,095,384
Swimming pool	-	-	-	153,822	153,822
Capital projects	-	-	1,770,615	-	1,770,615
Other purposes	106,334	-	-	-	106,334
Committed for:					
Capital projects	-	-	-	613,306	613,306
Library programs	-	-	-	182,299	182,299
Unassigned	1,312,322	-	-	63,593	1,375,915
TOTAL FUND BALANCES	1,437,077	1,095,384	1,770,615	1,013,020	5,316,096
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,611,116	$ 1,296,897	$ 1,770,615	$ 1,039,225	

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	9,554,968
The government-wide statements report as a deferred outflow, contributions made to OPERS subsequent to the measurement date of June 30, 2018 and changes in assumptions and investment returns related to its participation in OPERS and the retirement plan for employees of City of Stayton	840,492
The government-wide statements report as a deferred outflow, contributions made subsequent to the measurement date of June 30, 2018 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	7,372
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	(188,725)
The government-wide statements report a deferred inflow related to changes in assumptions and investment returns related to participation in other postemployment benefit plans for employees of City of Stayton	(2,372)
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	447,446
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	(1,034,734)
Other long-term assets are not available for current period expenditures and, therefore, are reported as unavailable revenue i	121,857
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,058,958)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 13,003,442

See accompanying notes

CITY OF STAYTON

STATEMENT OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended June 30, 2018

	General	Street	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 1,942,517	$ -	$ -	$ 349,973	$ 2,292,490
Franchise fees	822,322	-	-	-	822,322
Licenses, permits and fees	54,008	-	-	1,946	55,954
Fines and forfeitures	209,273	-	-	13,179	222,452
Charges for services	34,969	88,124	-	247,211	370,304
System development charges	-	-	500,834	-	500,834
Intergovernmental	260,451	588,563	-	1,263	850,277
Fuel taxes	-	194,344	-	-	194,344
Interest	25,510	18,084	24,308	23,426	91,328
Miscellaneous	124,891	247	-	6,500	131,638
TOTAL REVENUES	3,473,941	889,362	525,142	643,498	5,531,943
EXPENDITURES					
Current					
General government	1,324,647	-	-	-	1,324,647
Public safety	2,099,937	-	-	-	2,099,937
Highways and streets	112,822	285,768	53,689	-	452,279
Culture and recreation	60,664	-	-	875,000	935,664
Capital outlay	122,622	360,393	-	110,613	593,628
TOTAL EXPENDITURES	3,720,692	646,161	53,689	985,613	5,406,155
Excess (deficiency) of revenues over expenditures	(246,751)	243,201	471,453	(342,115)	125,788
OTHER FINANCING SOURCES (USES)					
Transfers in	913,600	275,100	-	586,400	1,775,100
Transfers out	(619,100)	(134,200)	(210,000)	(662,800)	(1,626,100)
TOTAL OTHER FINANCING SOURCES (USES)	294,500	140,900	(210,000)	(76,400)	149,000
Net change in fund balances	47,749	384,101	261,453	(418,515)	274,788
Fund balances at beginning of year	1,389,328	711,283	1,509,162	1,431,535	5,041,308
Fund balance at end of year	$ 1,437,077	$ 1,095,384	$ 1,770,615	$ 1,013,020	$ 5,316,096

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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 274,788
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	$ 627,465	
Depreciation	(373,511)	253,954
The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position		(700)
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		(172,060)
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		(5,587)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:		
Taxes		49,968
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		(53,690)
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		(10,829)
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		(238,167)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 97,677

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, 2018

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	$ 1,922,500	$ 1,942,517	$ 20,017
Franchise fees	834,800	822,322	(12,478)
Licenses, permits and fees	184,000	255,921	71,921
Charges for services	10,900	10,064	(836)
Intergovernmental	197,000	260,451	63,451
Rent	31,400	32,265	865
Interest	8,000	25,510	17,510
Miscellaneous	26,000	124,891	98,891
TOTAL REVENUES	3,214,600	3,473,941	259,341
EXPENDITURES			
Police	2,177,200	2,222,559	(45,359)
Planning	251,250	164,527	86,723
Community center	62,300	60,664	1,636
Municipal court	101,500	99,022	2,478
City council and administration	1,070,100	1,061,098	9,002
Street lights	117,000	112,822	4,178
Contingency	439,800	-	439,800
TOTAL EXPENDITURES	4,219,150	3,720,692	498,458
Excess (deficiency) of revenues over expenditures	(1,004,550)	(246,751)	757,799
OTHER FINANCING SOURCES (USES)			
Transfers in	913,600	913,600	-
Transfers out	(619,100)	(619,100)	-
TOTAL OTHER FINANCING SOURCES (USES)	294,500	294,500	-
Net change in fund balance	(710,050)	47,749	757,799
Fund balance at beginning of year	1,093,385	1,389,328	295,943
Fund balance at end of year	$ 383,335	$ 1,437,077	$ 1,053,742

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, 2018

	Original and Final Budget	Actual	Variance
REVENUES			
Charges for services	$ 90,300	$ 88,124	$ (2,176)
Intergovernmental	570,000	588,563	18,563
Fuel taxes	149,000	194,344	45,344
Interest	5,500	18,084	12,584
Miscellaneous	500	247	(253)
TOTAL REVENUES	815,300	889,362	74,062
EXPENDITURES			
Personal services	95,600	89,278	6,322
Materials and services	206,300	173,654	32,646
Capital outlay	534,000	383,229	150,771
Contingency	669,071	-	669,071
TOTAL EXPENDITURES	1,504,971	646,161	858,810
Excess (deficiency) of revenues over expenditures	(689,671)	243,201	932,872
OTHER FINANCING SOURCES (USES)			
Transfers in	275,100	275,100	-
Transfers out	(134,200)	(134,200)	-
TOTAL OTHER FINANCING SOURCES (USES)	140,900	140,900	-
Net change in fund balance	(548,771)	384,101	932,872
Fund balance at beginning of year	548,771	711,283	162,512
Fund balance at end of year	$ -	$ 1,095,384	$ 1,095,384

See accompanying notes

CITY OF STAYTON

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities					
	Water	Wastewater	Stormwater	Stormwater Construction	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets						
Cash and cash equivalents	$ 1,073,348	$ 3,613,679	$ 187,267	$ 87,024	$ 4,961,318	$ 732,967
Receivables, net	139,591	260,669	28,649	-	428,909	-
Inventory	72,895	344,825	-	-	417,720	-
Prepaid items	-	480	-	-	480	-
Total current assets	1,285,834	4,219,653	215,916	87,024	5,808,427	732,967
Capital assets						
Land	40,182	219,952	1,086,717	-	1,346,851	-
Construction in progress	-	55,926	-	-	55,926	-
Other capital assets, net	6,682,157	12,564,534	80,593	-	19,327,284	-
Total capital assets	6,722,339	12,840,412	1,167,310	-	20,730,061	-
TOTAL ASSETS	8,008,173	17,060,065	1,383,226	87,024	26,538,488	732,967
DEFERRED OUTFLOWS OF RESOURCES						
Refunded debt charges	50,039	-	-	-	50,039	-
Pension related items	83,408	76,853	7,103	-	167,364	68,287
Other postemployment benefit related items	2,971	2,738	253	-	5,962	2,432
TOTAL DEFERRED OUTFLOWS OF RESOURCES	136,418	79,591	7,356	-	223,365	70,719
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	7,782	70,314	33,137	-	111,233	37,268
Accrued interest payable	10,128	182,168	-	-	192,296	-
Consumer deposits	20,335	15,329	-	-	35,664	-
Due to other funds	-	-	184,600	-	184,600	-
Compensated absences payable	16,590	17,900	-	-	34,490	6,278
Long-term obligations due within one year	241,414	514,689	-	-	756,103	-
Total current liabilities	296,249	800,400	217,737	-	1,314,386	43,546
Long-term obligations due in more than one year	3,871,337	11,417,747	6,333	-	15,295,417	60,885
TOTAL LIABILITIES	4,167,586	12,218,147	224,070	-	16,609,803	104,431
DEFERRED INFLOWS OF RESOURCES						
Pension related items	51,740	47,674	4,406	-	103,820	42,360
Other postemployment benefit related items	956	880	81	-	1,917	782
TOTAL DEFERRED INFLOWS OF RESOURCES	52,696	48,554	4,487	-	105,737	43,142
NET POSITION						
Net investment in capital assets	2,683,955	976,499	1,167,310	-	4,827,764	-
Unrestricted	1,240,354	3,896,456	(5,285)	87,024	5,218,549	656,113
TOTAL NET POSITION	$ 3,924,309	$ 4,872,955	$ 1,162,025	$ 87,024	10,046,313	$ 656,113

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	208,667
Internal balance for water, wastewater and stormwater system development charges recorded in the governmental funds	1,034,734
Net position of the business-type activities	$ 11,289,714

See accompanying notes

CITY OF STAYTON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended June 30, 2018

	Business-type Activities					
	Water	Wastewater	Stormwater	Stormwater Construction	Totals Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	$ 1,765,474	$ 2,953,598	$ 295,689	$ -	$ 5,014,761	$ -
OPERATING EXPENSES						
Personal services	369,281	427,228	38,683	-	835,192	326,568
Materials and services	448,313	881,132	61,414	33,105	1,423,964	74,668
Depreciation	364,300	563,249	1,860	-	929,409	-
Total operating expenses	1,181,894	1,871,609	101,957	33,105	3,188,565	401,236
Operating income (loss)	583,580	1,081,989	193,732	(33,105)	1,826,196	(401,236)
NONOPERATING REVENUES (EXPENSES)						
Rents	-	-	-	-	-	45,739
Interest	17,844	55,122	2,462	-	75,428	13,360
Miscellaneous	776	260	-	-	1,036	-
Interest	(97,783)	(320,705)	(2,070)	-	(420,558)	-
Total nonoperating revenue (expenses)	(79,163)	(265,323)	392	-	(344,094)	59,099
Income (loss) before transfers	504,417	816,666	194,124	(33,105)	1,482,102	(342,137)
Transfers in	139,400	207,400	10,700	130,000	487,500	486,300
Transfers out	(442,500)	(410,400)	(94,900)	-	(947,800)	(175,000)
Change in net position	201,317	613,666	109,924	96,895	1,021,802	(30,837)
Net position - beginning	3,722,992	4,259,289	1,052,101	(9,871)	9,024,511	686,950
Net position - ending	$ 3,924,309	$ 4,872,955	$ 1,162,025	$ 87,024	$ 10,046,313	$ 656,113

Change in net position	$ 1,021,802
The internal service fund was previously reported in governmental activities but has determined to be properly reported in business-type activities	
Adjustment for current year activity related to system development charges reported in the governmental funds but for use by the business-type activities	238,167
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	22,853
Change in net position of the business-type activities	$ 1,282,822

See accompanying notes

CITY OF STAYTON

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities					
	Water	Wastewater	Stormwater	Stormwater Construction	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 1,749,956	$ 2,946,709	$ 293,748	$ -	$ 4,990,413	$ -
Payments to suppliers	(438,172)	(825,741)	(28,321)	(47,500)	(1,339,734)	(57,652)
Payments to employees	(368,817)	(449,937)	(38,881)	-	(857,635)	(326,516)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	942,967	1,671,031	226,546	(47,500)	2,793,044	(384,168)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Payments on interfund loan	-	-	(25,070)	-	(25,070)	-
Transfers in	139,400	207,400	10,700	130,000	487,500	486,300
Transfers out	(442,500)	(410,400)	(94,900)	-	(947,800)	(175,000)
NET CASH (USED IN) NONCAPITAL FINANCING ACTIVITIES	(303,100)	(203,000)	(109,270)	130,000	(485,370)	311,300
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Other	776	260	-	-	1,036	-
Rents	-	-	-	-	-	45,739
Acquisition of capital assets	(8,357)	-	(17,702)	-	(26,059)	-
Principal paid on long-term obligations	(200,000)	(475,140)	-	-	(675,140)	-
Interest paid on long-term obligations	(130,823)	(350,407)	-	-	(481,230)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(338,404)	(825,287)	(17,702)	-	(1,181,393)	45,739
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	17,844	55,122	2,462	-	75,428	13,360
Net increase (decrease) in cash and cash equivalents	319,307	697,866	102,036	82,500	1,201,709	(13,769)
Cash and cash equivalents - beginning of year	754,041	2,915,813	85,231	4,524	3,759,609	746,736
Cash and cash equivalents - end of year	$ 1,073,348	$ 3,613,679	$ 187,267	$ 87,024	$ 4,961,318	$ 732,967
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 583,580	$ 1,081,989	$ 193,732	$ (33,105)	$ 1,826,196	$ (401,236)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	364,300	563,249	1,860	-	929,409	-
(Increase) decrease in assets and deferred outflows						
Receivables, net	(18,548)	(6,566)	(1,941)	-	(27,055)	-
Inventories	4,026	(4,500)	-	-	(474)	-
Prepaid items	-	(480)	-	-	(480)	-
Pension related items	44,107	97,454	3,412	-	144,973	25,952
Other postemployment benefit related items	466	1,960	30	-	2,456	108
Increase (decrease) in liabilities and deferred inflows						
Accounts payable and accrued liabilities	6,115	60,371	33,093	(14,395)	85,184	17,016
Consumer deposits	3,030	(323)	-	-	2,707	-
Compensated absences payable	4,166	479	-	-	4,645	(452)
Net pension liability	(88,394)	(142,075)	(7,161)	-	(237,630)	(61,528)
Net other post employment benefits obligation	(929)	(13,158)	(5)	-	(14,092)	1,439
Pension related items	40,092	31,751	3,445	-	75,288	33,751
Other postemployment benefit related items	956	880	81	-	1,917	782
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 942,967	$ 1,671,031	$ 226,546	$ (47,500)	$ 2,793,044	$ (384,168)

See accompanying notes

CITY OF STAYTON

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

		Pension Trusts
ASSETS		
Cash and cash equivalents	$	383,416
Receivables		26,745
Investments, at fair value		
Mutual funds		7,107,957
TOTAL ASSETS		7,518,118
NET POSITION		
Net position held in trust for:		
Pension benefits		7,408,109
Other post-employment benefits		110,009
TOTAL NET POSITION	$	7,518,118

See accompanying notes

CITY OF STAYTON

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

	Pension Trusts
ADDITIONS	
Contributions	$ 324,239
Investment earnings	535,194
Total additions	859,433
DEDUCTIONS	
Benefits	275,723
Administrative expenses	44,766
Total deductions	320,489
Change in net position	538,944
Net position - beginning of year	6,979,174
Net position - end of year	$ 7,518,118

See accompanying notes

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 Manager.

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. 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 governmental funds:

- *General* – The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- *Street* – This fund provides for street and bridge repairs and maintenance within the City. The primary sources of revenue include state gas tax turnovers, local fuel tax approved by voters, and maintenance fees collected by the City.
- *System Development Charges* - This fund accounts for all system development charges received by the City. System development charges are restricted to projects that improve or expand the system for which the charge was made.

The City reports the following major proprietary funds:

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

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 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. Vacation may be accumulated up to 600 hours for non-management personnel and unlimited for management personnel.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

Government-wide and proprietary fund net position

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

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, 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.

Governmental fund type fund balance reporting

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

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

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

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 Manager 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.

2. Cash, cash equivalents and investments

The City's cash, cash equivalents and investments at June 30, 2018 are as follows:

Cash and cash equivalents	
Deposits with financial institutions	$ (86,121)
State of Oregon Local Government Investment Pool	10,938,695
Money markets	383,416
Cash on hand	700
Total cash and cash equivalents	$ 11,236,690
Investments	
Mutual funds	$ 7,107,957

The City maintains a pool of cash and cash equivalents 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 cash equivalents. Interest earned on pooled cash and cash equivalents is allocated to participating funds based upon their combined cash and cash equivalents balances.

2. 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, 2018, none of the City's bank balances were exposed to custodial credit risk as defined by GASB.

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, 2018 the City had the following investments:

Investment Type	Rating	Fair Value	Risk Concentration	Weighted Average Maturity (in months)
Mutual funds	Not Rated	$ 7,107,957	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 issuer.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Deposits and investments

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, 2018 are shown below:

	Governmental Activities / Funds				Business-type Activities / Proprietary Funds			
	General	Street	Total Nonmajor	Totals	Water	Wastewater	Stormwater	Totals
User charges	$ -	$ -	$ -	$ -	$ 139,591	$ 260,669	$ 28,649	$ 428,909
Property taxes	123,181	-	22,118	145,299	-	-	-	-
Accounts	112,998	76,717	20,829	210,544	-	-	-	-
	$ 236,179	$ 76,717	$ 42,947	$ 355,843	$ 139,591	$ 260,669	$ 28,649	$ 428,909

5. Capital assets

A. Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	$ 1,759,203	$ -	$ -	$ 1,759,203
Construction in progress	-	43,120	-	43,120
Total capital assets not being depreciated	1,759,203	43,120	-	1,802,323
Capital assets being depreciated				
Infrastructure	11,172,538	360,393	-	11,532,931
Buildings and improvements	7,510,366	90,330	-	7,600,696
Equipment and vehicles	1,430,621	133,622	4,000	1,560,243
Total capital assets being depreciated	20,113,525	584,345	4,000	20,693,870
Less accumulated depreciation for:				
Infrastructure	7,432,729	112,088	-	7,544,817
Buildings and improvements	4,334,931	179,481	-	4,514,412
Equipment and vehicles	803,354	81,942	3,300	881,996
Total accumulated depreciation	12,571,014	373,511	3,300	12,941,225
Total capital assets being depreciated, net	7,542,511	210,834	700	7,752,645
Governmental activities capital assets, net	$ 9,301,714	$ 253,954	$ 700	$ 9,554,968

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Capital assets (continued)

B. Capital asset activity for business-type activities for the year ended June 30, 2018 was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	$ 1,338,494	$ 8,357	$ -	$ 1,346,851
Construction in progress	55,926	-	-	55,926
Total capital assets not being depreciated	1,394,420	8,357	-	1,402,777
Capital assets being depreciated				
Infrastructure	32,854,354	17,702	-	32,872,056
Buildings and improvements	6,465,746	-	-	6,465,746
Equipment and vehicles	1,955,717	-	-	1,955,717
Total capital assets being depreciated	41,275,817	17,702	-	41,293,519
Less accumulated depreciation for:				
Infrastructure	17,838,996	693,470	-	18,532,466
Buildings and improvements	1,996,536	126,075	-	2,122,611
Equipment and vehicles	1,201,294	109,864	-	1,311,158
Total accumulated depreciation	21,036,826	929,409	-	21,966,235
Total capital assets being depreciated, net	20,238,991	(911,707)	-	19,327,284
Business-type activities capital assets, net	$ 21,633,411	$ (903,350)	$ -	$ 20,730,061

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

Governmental activities	
General government	$ 35,190
Public safety	43,635
Highways and streets	125,869
Culture and recreation	168,817
Total depreciation expense - governmental activities	$ 373,511
Business-type activities	
Water	$ 364,300
Sewer	563,249
Stormwater	1,860
Total depreciation expense - business-type activities	$ 929,409

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	$ 103,309	$ 18,548	$ 121,857

7. Interfund transactions and balances

The interfund transfers during the year ended June 30, 2018 were as follows:

	In	Out
Governmental		
General	$ 913,600	$ 619,100
Street	275,100	134,200
System Development Charges	-	210,000
Nonmajor governmental	586,400	662,800
Proprietary		
Enterprise		
Water	139,400	442,500
Wastewater	207,400	410,400
Stormwater	10,700	94,900
Stormwater construction	130,000	-
Internal service	486,300	175,000
Totals	$ 2,748,900	$ 2,748,900

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.

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, 2018, the loan balance is $184,600.

8. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2018 were as follows:

	Outstanding July 1, 2017	Additions	Reductions	Outstanding June 30, 2018	Balances Due Within One Year
Governmental activities					
Other long-term obligations					
Compensated absences	$ 142,762	$ 153,591	$ 142,762	$ 153,591	$ 153,591
Net pension liability	2,317,449	-	478,295	1,839,154	-
Net other postemployment benefit obligation	63,534	2,679	-	66,213	-
Total long-term obligations	$ 2,523,745	$ 156,270	$ 621,057	$ 2,058,958	$ 153,591
Business-type activities					
Long-term debt					
Bonded debt					
2013 Full Faith and Credit Refunding	$ 4,250,000	$ -	$ 345,000	$ 3,905,000	$ 355,000
2016 Full Faith and Credit Refunding	3,765,000	-	200,000	3,565,000	205,000
USDA Sewer Revenue Bonds	7,829,351	-	130,140	7,699,211	133,719
Premium	795,470	-	62,384	733,086	62,384
Total long-term debt	16,639,821	-	737,524	15,902,297	756,103
Other long-term obligations					
Compensated absences	36,575	40,768	36,575	40,768	40,768
Net pension liability	433,885	-	299,158	134,727	-
Net other postemployment benefit obligation	88,034	-	12,653	75,381	-
Total long-term obligations	$ 17,198,315	$ 40,768	$ 1,085,910	$ 16,153,173	$ 796,871

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
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	400,000	72,750	230,000	102,850	149,046	196,401	779,046	372,001
2024-28	2,025,000	176,850	1,275,000	373,500	809,010	918,225	4,109,010	1,468,575
2029-33	-	-	1,210,000	98,800	926,539	800,696	2,136,539	899,496
2034-38	-	-	-	-	1,061,140	666,095	1,061,140	666,095
2039-43	-	-	-	-	1,215,294	511,941	1,215,294	511,941
2044-48	-	-	-	-	1,391,846	335,389	1,391,846	335,389
2049-53	-	-	-	-	1,588,990	138,245	1,588,990	138,245
	$ 3,905,000	$ 679,750	$ 3,565,000	$ 1,042,156	$ 7,699,211	$ 4,391,434	$ 15,169,211	$ 6,113,340

D. Refunded debt charges

Advance refundings have resulted in differences between the reacquisition price and the net carrying amount of the refunded debt. The differences, reported in the accompanying financial statements as deferred outflows of resources, will be charged to operations through the year 2032 using the straight-line method.

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

Police personnel 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. The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

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/Documents/Financials/CAFR/2017-CAFR.pdf

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, 2015 actuarial valuation.

Tier 1/tier 2 employer contribution rates are 24.07 percent and the OPSRP employer contribution rates are 13.07 percent for general service employees and 17.84 percent for police and fire. Employer contributions for the year ended June 30, 2018 were $182,834.

D. Actuarial valuations – Tier One/Tier Two

The December 31, 2015 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, 2017, through June 30, 2019, 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 rate adjustments are confined to a collar based on the prior contribution rates. The new contribution rates 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 25% based on account balance with each employer and 75% based on service with each employer. The entire normal cost is allocated to the current employer.

Allocation of benefits-in-force reserve

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

9. Defined benefit pension plans (continued)

Economic assumptions

Investment return	7.50% compounded annually
Pre-2014 interest crediting	7.50% compounded annually on regular and variable account balances
Inflation	2.50% compounded annually
Payroll growth	3.50% compounded annually
Healthcare cost trends	Ranges from 6.3% in 2016 to 4.4% in 2094

Demographic assumptions

<u>Mortality tables</u>	
Healthy retirees	RP 2000, Generational (Scale BB) Combined Active/HealthyAnnuitant, Sex Distinct
Disabled retirees	RP 2000, Generational (Scale BB), Combined Disabled, No Collar, Sex Distinct Male 70% and Femail 95% of disabled table
Non-annuitants	Ranges from 55% to 75% 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. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5% of the time and a total lump sum elected 3% for 2015 and declining by 0.5% per year until reaching zero.

Salary increase assumptions

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

E. Actuarial valuations – OPSRP

The December 31, 2015 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.

9. Defined benefit pension plans (continued)

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. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5% of the time and a total lump sum elected 3% for 2015 and declining by 0.5% per year until reaching zero.

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, 2018, the City reported a liability of $1,720,815 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 (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.

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.

9. Defined benefit pension plans (continued)

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, 2017 (the measurement date), the City's proportion was 0.01276567 percent, which was a decrease of 0.00058549 percent from its proportion measured as of June 30, 2016.

Pension expense

For the year ended June 30, 2018, the City recognized pension expense of $361,655.

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, 2017, 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, 2018, 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	$ 83,219	$ --
Change of assumptions	313,674	--
Net difference between projected and actual earnings on pension plan investments	17,728	--
Changes in proportion share	1,753	55,911
Difference between City's contributions and proportionate share of contributions	34,297	4,416
City's contributions subsequent to the measurement date	182,834	--
	$ 633,505	$ 60,327

9. Defined benefit pension plans (continued)

$182,834 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,	
2019	$ 75,188
2020	214,950
2021	144,027
2022	(45,101)
2023	1,280
	$ 390,344

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

The total pension liability measured as of June 30, 2017 was based on an actuarial valuation as of December 31, 2015 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. On July 28, 2017, the PERS Board adopted a discount rate of 7.2 percent. The new rate will be effective January 1, 2018.

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.

Asset Class	Target Allocation	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Commodities/Other	9.37%	7.01%
Assumed Inflation - Mean		2.50%

9. Defined benefit pension plans (continued)

Depletion date projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 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.

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	$ 2,932,587	$ 1,720,815	$ 707,553

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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, 2017, plan membership consisted of 23 retirees and beneficiaries, 5 vested terminated participants, 4 nonvested terminated participants, and 22 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, 2018 were $246,444.

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, 2018, the City reported a net pension liability of $253,066. The net pension liability was measured as of June 30, 2017, 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	$ 7,135,977
Plan fiduciary net position	6,882,911
Net pension liability	$ 253,066
Fiduciary net position as a percentage of total pension liability	96.45%

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	$ 7,014,532	$ 6,267,517	$ 747,015
Changes for the year:			
Service cost	234,298	-	234,298
Interest on total pension liability	461,171	-	461,171
Effect of economic/demoraphic (gains) or losses	(266,243)		(266,243)
Benefit payments	(307,781)	(307,781)	-
Administrative expenses	-	(24,548)	24,548
Member contributions	-	76,484	(76,484)
Net investment income	-	647,240	(647,240)
Employer contributions	-	223,999	(223,999)
Ending balances	$ 7,135,977	$ 6,882,911	$ 253,066

For the year ended June 30, 2018, the City recognized pension expense of $220,489. At June 30, 2018, 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	$ --	$ 259,813
Changes of assumptions or inputs	196,194	--
Net difference between projected and actual earnings on pension plan investments	--	14,765
City's contributions subsequent to the measurement date	246,444	--
	$ 442,638	$ 274,578

9. Defined benefit pension plans (continued)

$246,444 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, 2018. 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,	
2019	$ (16,685)
2020	62,368
2021	(18,466)
2022	(100,382)
2023	(5,219)

F. Actuarial valuation

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

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

Valuation Date	June 30, 2017.
Actuarial Cost Method	Individual Entry Age Normal, Level Percentage of Pay
Amortization Method	Amortized as a level percent of payroll over a period of 20 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 12 month set-backs for males

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.

The following circumstances justify an alternative evaluation of sufficiency for the retirement plan for the employees of the City:

- The City has a formal written policy to calculate an actuarial determined contribution (ADC).
- The ADC is based on a closed amortization period that will decrease over time until it reaches 15 years. Once that occurs new layers will be amortized over closed 15 year periods. This funding policy means that payment of the full ADC each year will bring the plan toa 100% funded position by the end of the amortization period (20 years) if future experience follows assumptions.
- GASB 67 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 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.

9. Defined benefit pension plans (continued)

Long-term expected rate of return

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

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

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

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Net pension liability	$ 1,191,903	$ 253,066	$ (522,130)

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.

10. Defined contribution plan (continued)

D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2018 were $53,224.

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, 2016, plan membership consisted of 2 retirees, 1 spouse of ineligible retiree, and 38 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.

11. Other postemployment benefits (continued)

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, 2018, the actuarial determined contribution rate was 1.1 percent of covered payroll. City contributions to the plan for the year ended June 30, 2018 were $15,767.

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, 2018, the City reported a net other postemployment benefit obligation of $141,592. The net pension other postemployement benefit liability was measured as of June 30, 2017, and the total other postemployment benefit liability used to calculate the net other postemployement benefit liability was determined by an actuarial valuation as of that date as follows:

Total other postemployment benefit obligation	$ 237,854
Plan fiduciary net position	96,262
Net other postemployment benefit obligation	$ 141,592

Fiduciary net position as a percentage of total other postemployment benefit obligation 40.47%

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	$ 231,856	$ 80,288	$ 151,568
Changes for the year			
Service cost	4,616	-	4,616
Interest on total OPEB obligation	15,098	-	15,098
Effect of assumptions, changes or inputs	(5,316)		(5,316)
Benefit payments	(8,400)	(8,400)	-
Administrative expenses	-	(314)	314
Net investment income	-	8,689	(8,689)
Employer contributions	-	15,999	(15,999)
Ending balances	$ 237,854	$ 96,262	$ 141,592

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Other postemployment benefits (continued)

For the year ended June 30, 2018, the City recognized other postemployment benefit expense of $3,689. At June 30, 2018, 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
Differences between expected and actual experience	$ 4,634	$ -
Net difference between projected and actual earnings	437	-
Contributions made subsequent to measurement date	-	15,767
	$ 5,071	$ 15,767

$15,767 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, 2018. 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,	
2019	$ (612)
2020	(612)
2021	(610)
2022	(1,327)
2023	(681)
Thereafter	(1,229)

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 20-year period and assumes the annual payment will increase by the salary scale assumption each year.

11. Other postemployment benefits (continued)

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

Valuation Date	June 30, 2017.
Actuarial Cost Method	Individual entry age normal, level percentage of pay
Amortization Method	Amortized as a level percent of payroll over a period of 20 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	2.5 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.

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.

The following circumstances justify an alternative evaluation of sufficiency for the other postemployment benefits plan for the employees of the City:

- The City has a formal written policy to calculate an actuarial determined contribution (ADC).
- The ADC is based on a closed amortization period that will decrease over time until it reaches 15 years. Once that occurs new layers will be amortized over closed 15 year periods. This funding policy means that payment of the full ADC each year will bring the plan toa 100% funded position by the end of the amortization period (20 years) if future experience follows assumptions.
- GASB 67 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 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.

11. Other postemployment benefits (continued)

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	$ 170,322	$ 141,592	$ 117,515

The following presents the net other postemployment benefit obligation calculated using current healthcare cost trend rates, as well as what the City's net other postemployment benefit obligation would be if it were calculated using healthcare cost trend reates that are 1 percent lower or 1 percent higher than the current rate:

	1 Percentage Point Lower	Current Trend	1 Percentage Point Higher
Net other postemployment benefit obligations	$ 141,592	$ 141,592	$ 141,592

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 16.42 percent of debt service payments on the USDA Sewer Revenue Bonds and 27.88 percent of the debt service payments on the Full Faith and Credit Refunding Bonds.

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	$ 735,881
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	1,034,734

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, 2018 is as follows:

Condensed statement of net position	Water	Wastewater
Assets		
Current	$ 1,285,834	$ 4,219,653
Capital	6,722,339	12,840,412
Total assets	8,008,173	17,060,065
Deferred outflows of resources	136,418	79,591
Liabilities		
Current	296,724	800,400
Noncurrent	3,871,337	11,417,747
Total liabilities	4,168,061	12,218,147
Deferred inflows of resources	52,696	48,554
Net position		
Net investment in capital assets	2,683,955	976,499
Unrestricted	1,239,879	3,896,456
Total net position	$ 3,923,834	$ 4,872,955
Condensed statement of revenues, expenses and changes in fund net position		
Operating revenue	$ 1,765,474	$ 2,953,598
Depreciation expense	364,300	563,249
Other operating expenses	817,594	1,308,360
Operating income	583,580	1,081,989
Nonoperating revenues (expenses)	(79,638)	(265,323)
Income before transfers	503,942	816,666
Transfers in	139,400	207,400
Transfers out	(442,500)	(410,400)
Change in net position	200,842	613,666
Net position – beginning	3,722,992	4,259,289
Net position – ending	$ 3,923,834	$ 4,872,955

14. Segment information for enterprise funds (continued)

Condensed statement of cash flows	Water	Wastewater
Net cash provided by (used in):		
Operating activities	$ 942,967	$ 1,671,031
Non-capital financing activities	(303,100)	(203,000)
Capital and related financing activities	(338,404)	(825,287)
Investing activities	17,844	55,122
Net increase (decrease) in cash and cash equivalents	319,307	697,866
Cash and cash equivalents - beginning	754,041	2,915,813
Cash and cash equivalents - ending	$ 1,073,348	$ 3,613,679

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 2017-18 levy year has been reduced by $11,255.

16. Commitments

As of June 30, 2018, the City has commitments for construction contracts in the amount of $1,635,406.

17. Subsequent event

The City contributed on October 18, 2018 an additional $410,000 to the Retirement Plan for Employees of the City of Stayton to reduce the unfunded actuarial liability, the net pension liability and contribution rates. The contribution rate, adjusted for the additional contribution, will be 17.3 percent of covered payroll, which is a decrease of 1 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015
Proportion of the collective net pension liability (asset)	0.00127657%	0.01335116%	0.01374458%	0.01355733%
Proportionate share of the collective net pension liability (asset)	$ 1,720,815	$ 2,004,319	$ 789,140	$ (307,306)
Covered payroll	$ 1,023,561	$ 954,756	$ 949,451	$ 967,205
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	168%	210%	83%	-32%
Pension plan's fiduciary net position as a percentage of the total pension liability	83%	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, *

	2018	2017	2016	2015
Contractually required contributions	$ 182,834	$ 212,099	$ 190,064	$ 185,123
Contractually required contributions recognized by the pension plan	182,834	212,099	190,064	185,123
Difference	$ -	$ -	$ -	$ -
Covered payroll	$ 1,023,561	$ 954,756	$ 949,451	$ 967,205
Contractually required contributions as a percentage of covered payroll	17.86%	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
RETIREMENT PLAN FOR THE EMPLOYEES OF THE CITY OF STAYTON
Last 10 Plan Fiscal Years*

	For the Year Ended June 30, 2017	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	$ 7,014,532	$ 6,582,356	$ 5,814,484	$ 5,460,247
Fiduciary net position	6,267,517	6,149,862	5,909,978	5,089,313
Net pension liability (asset)	$ 747,015	$ 432,494	$ (95,494)	$ 370,934
Changes in total pension liability				
Service cost	$ 234,298	$ 226,375	$ 196,034	$ 205,098
Interest on total pension liability	461,171	434,734	384,088	362,649
Effect of economic/demographic losses	(266,243)	-	(59,144)	(48,357)
Effect of assumption changes or inputs	-	-	441,438	-
Benefit payments	(307,781)	(228,933)	(194,544)	(165,153)
Net change in total pension liability	$ 121,445	$ 432,176	$ 767,872	$ 354,237
Changes in fiduciary net position				
Employer contributions	$ 223,999	$ 213,582	$ 198,193	$ 203,582
Member contributions	76,484	76,542	68,901	70,200
Investment income net of expenses	647,240	106,824	183,402	729,046
Benefit payments	(307,781)	(228,933)	(194,544)	(165,153)
Administrative expenses	(24,548)	(50,360)	(16,068)	(17,010)
Net change in fiduciary net position	$ 615,394	$ 117,655	$ 239,884	$ 820,665
End of year				
Total pension liability	$ 7,135,977	$ 7,014,532	$ 6,582,356	$ 5,814,484
Fiduciary net position	6,882,911	6,267,517	6,149,862	5,909,978
Net pension liability	$ 253,066	$ 747,015	$ 432,494	$ (95,494)
Fiduciary net position as a percent of total pension liability	96.5%	89.4%	93.4%	101.6%
Covered payroll	$ 1,346,055	$ 1,188,545	$ 1,148,353	$ 1,051,497
Net pension liability as a percent of covered payroll	18.8%	62.9%	37.7%	-9.1%

*Information will be accumulated until 10 years are presented

CITY OF STAYTON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
RETIREMENT PLAN FOR THE EMPLOYEES OF THE CITY OF STAYTON
Last 10 Plan Years
(Amounts in Thousands)

	June 30, 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarilly determined contribution	$ 288	$ 270	$ 277	$ 255	$ 305	$ 313	$ 319	$ 297	$ 214	$ 211
Actual employer contribution	300	290	267	274	306	315	314	299	214	212
Contribution deficiency (excess)	(12)	(20)	10	(19)	(1)	(2)	5	(2)	-	(1)
Covered payroll	1,346	1,189	1,148	1,051	1,108	1,178	1,230	1,212	1,184	1,126
Contribution as a percent of covered payroll	22.29%	24.39%	23.26%	26.07%	27.62%	26.74%	25.53%	24.67%	18.07%	18.83%
Valuation date	7/1/2015	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
Assumed investment rate of return	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

Notes to schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Effective July 1, 2006: Individual entry age normal, level percent of pay Through July 1, 2005: Aggregate actuarial cost method
Amortization method	Effective July 1, 2017: Closed 20-year amortization, level percent of pay, with the balance being amortized each year and the amortization period reducing one year per year until it reaches 15 years. Once the amortization period reaches 15 years, new bases will be amortized over 15 years (layered amortization) Effective July 1, 2015: Closed 22-year amortization, level percent of pay Effective July 1, 2014: Closed 23-year amortization, level percent of pay Effective July 1, 2013: Closed 24-year amortization, level percent of pay Effective July 1, 2012: Closed 25-year amortization, level percent of pay Effective July 1, 2006: Open 20-year amortization, level percent of pay
Asset valuation method	Effective July 1, 2009: Market value gains and losses smoothed over five years, with result not less than 80% or greater than 120% of market value Through July 1, 2008: Market value of assets
Healthy mortality	Effective July 1, 2015: RP-2000 Sex-distinct, generational per Scale BB, blended 25% blue collar/75% white collar, set back 12 months for males and no setback for females Effective July 1, 2012: Healthy Combined RP-2000 mortality projected to 2020 Effective July 1, 2010: Healthy Combined RP-2000 mortality projected to 2010 Through July 1, 2009: Healthy Combined RP-2000 mortality
Cost of living increases	2 percent per year
Salary increases	Effective July 1, 2015: 3.5 percent per year Effective July 1, 2012: 4 percent per year Effective July 1, 2010: 4.5 percent per year Effective July 1, 2006: 5 percent per year

CITY OF STAYTON
SCHEDULE OF INVESTMENT RATE OF RETURN
RETIREMENT PLAN FOR THE EMPLOYEES OF THE CITY OF STAYTON
Last 10 Plan Years*

Year Ended June 30,	Rate of Return
2018	2.46%
2017	10.40%
2016	1.75%
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
EMPLOYEE BENEFIT PLAN FOR THE EMPLOYEES OF THE CITY OF STAYTON
Last 10 Plan Fiscal Years*

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
Beginning of year		
Total other postemployment benefit obligation	$ 231,855	$ 221,388
Fiduciary net position	80,288	71,341
Net other postemployment benefit obligation (asset)	$ 151,567	$ 150,047
Changes in total other postemployment benefit obligation		
Service cost	$ 4,616	$ 4,460
Interest on total other postemployment benefit obligation	15,098	14,408
Effect of assumption changes or inputs	(5,315)	-
Benefit payments	(8,400)	(8,400)
Net change in total other postemployment benefit obligation	$ 5,999	$ 10,468
Changes in fiduciary net position		
Employer contributions	$ 15,999	$ 16,627
Investment income net of expenses	8,689	1,304
Benefit payments	(8,400)	(8,400)
Administrative expenses	(314)	(584)
Net change in fiduciary net position	$ 15,974	$ 8,947
End of year		
Total other post employee benefit obligation	$ 237,854	$ 231,856
Fiduciary net position	96,262	80,288
Net other postemployment benefit obligation (asset)	$ 141,592	$ 151,568
Fiduciary net position as a percent of total other postemployment benefit obligation	40.47%	34.63%
Covered payroll	$ 1,346,055	$ 1,188,545
Net other postemployment benefit obligation as a percent of covered payroll	10.52%	12.75%

*Information will be accumulated until 10 years are presented

CITY OF STAYTON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYEE BENEFIT PLAN FOR THE EMPLOYEES OF THE CITY OF STAYTON
Last 10 Plan Years
(Amounts in Thousands)

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarilly determined contribution	$ 15	$ 15	$ 10	$ 8	$ 10	$ 10	$ 7	$ 8	$ 6	$ 5
Actual employer contribution	16	17	9	8	9	7	5	6	6	5
Contribution deficiency (excess)	(1)	(2)	1	-	1	3	2	2	-	-
Covered payroll	1,346	1,189	1,148	1,051	1,108	1,178	1,230	1,212	1,184	1,126
Contribution as a percent of covered payroll	1.19%	1.43%	0.78%	0.76%	0.81%	0.59%	0.41%	0.50%	0.51%	0.44%
Valuation date	7/1/2015	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
Assumed investment rate of return	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

Notes to schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Effective July 1, 2006: Individual entry age normal, level percent of pay Through July 1, 2005: Aggregate actuarial cost method
Amortization method	Effective July 1, 2017: Closed 20-year amortization, level percent of pay, with the balance being amortized each year and the amortization period reducing one year per year until it reaches 15 years. Once the amortization period reaches 15 years, new bases will be amortized over 15 years (layered amortization) Effective July 1, 2015: Closed 22-year amortization, level percent of pay Effective July 1, 2014: Closed 23-year amortization, level percent of pay Effective July 1, 2013: Closed 24-year amortization, level percent of pay Effective July 1, 2012: Closed 25-year amortization, level percent of pay Effective July 1, 2006: Open 20-year amortization, level percent of pay
Asset valuation method	Effective July 1, 2009: Market value gains and losses smoothed over five years, with result not less than 80% or greater than 120% of market value Through July 1, 2008: Market value of assets
Healthy mortality	Effective July 1, 2015: RP-2000 Sex-distinct, generational per Scale BB, blended 25% blue collar/75% white collar, set back 12 months for males and no setback for females Effective July 1, 2012: Healthy Combined RP-2000 mortality projected to 2020 Effective July 1, 2010: Healthy Combined RP-2000 mortality projected to 2010 Through July 1, 2009: Healthy Combined RP-2000 mortality
Cost of living increases	2 percent per year
Salary increases	Effective July 1, 2015: 3.5 percent per year Effective July 1, 2012: 4 percent per year Effective July 1, 2010: 4.5 percent per year Effective July 1, 2006: 5 percent per year

CITY OF STAYTON
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
EMPLOYEE BENEFIT PLAN FOR THE EMPLOYEES OF THE CITY OF STAYTON
Last 10 Plan Years*

Year Ended June 30,	Rate of Return
2018	2.46%
2017	10.53%
2016	1.77%

*Information will be accumulated until 10 years are presented

COMBINING FINANCIAL STATEMENTS AND
INDIVIDUAL FUND SCHEDULES

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CITY OF STAYTON

SYSTEM DEVELOPMENT CHARGES - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2018

	Budget	Actual	Variance
REVENUES			
System development charges	$ 409,500	$ 500,834	$ 91,334
Interest	14,600	24,308	9,708
TOTAL REVENUES	424,100	525,142	101,042
EXPENDITURES			
Materials and services	275,000	53,689	221,311
Contingency	1,395,410	-	1,395,410
TOTAL EXPENDITURES	1,670,410	53,689	1,616,721
Excess (deficiency) of revenues over expenditures	(1,246,310)	471,453	1,717,763
OTHER FINANCING SOURCES (USES)			
Transfers out	(210,000)	(210,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(210,000)	(210,000)	-
Net change in fund balance	(1,456,310)	261,453	1,717,763
Fund balance at beginning of year	1,456,310	1,509,162	52,852
Fund balance at end of year	$ -	$ 1,770,615	$ 1,770,615

CITY OF STAYTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue	Capital Project Vehicle Replacement	Totals
ASSETS			
Cash and cash equivalents	$ 382,972	$ 428,706	$ 811,678
Receivables	42,947	-	42,947
Due from other funds	-	184,600	184,600
TOTAL ASSETS	$ 425,919	$ 613,306	$ 1,039,225
LIABILITIES			
Accounts payable and accrued liabilities	$ 7,657	$ -	$ 7,657
TOTAL LIABILITIES	7,657	-	7,657
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	18,548	-	18,548
TOTAL DEFERRED INFLOWS OF RESOURCES	18,548	-	18,548
FUND BALANCES			
Restricted for:			
Swimming pool	153,822	-	153,822
Committed for:			
Capital projects	-	613,306	613,306
Library programs	182,299	-	182,299
Unassigned	63,593	-	63,593
TOTAL FUND BALANCES	399,714	613,306	1,013,020
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 425,919	$ 613,306	$ 1,039,225

CITY OF STAYTON

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

		Capital Projects	
	Special Revenue	Vehicle Replacement	Totals
REVENUES			
Property taxes	$ 349,973	$ -	$ 349,973
Licenses, permits and fees	1,946	-	1,946
Fines and forfeitures	13,179	-	13,179
Charges for services	247,211	-	247,211
Intergovernmental	1,263	-	1,263
Interest	5,415	18,011	23,426
Miscellaneous	6,500	-	6,500
TOTAL REVENUES	625,487	18,011	643,498
EXPENDITURES			
Current			
Culture and recreation	875,000	-	875,000
Capital outlay	110,613	-	110,613
TOTAL EXPENDITURES	985,613	-	985,613
Excess (deficiency) of revenues over expenditures	(360,126)	18,011	(342,115)
OTHER FINANCING SOURCES (USES)			
Transfers in	586,400	-	586,400
Transfers out	(62,800)	(600,000)	(662,800)
TOTAL OTHER FINANCING SOURCES (USES)	523,600	(600,000)	(76,400)
Net change in fund balances	163,474	(581,989)	(418,515)
Fund balances at beginning of year	236,240	1,195,295	1,431,535
Fund balances at end of year	$ 399,714	$ 613,306	$ 1,013,020

CITY OF STAYTON

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

	Library	Parks	Swimming Pool	Totals
ASSETS				
Cash and cash equivalents	$ 164,182	$ 66,331	$ 152,459	$ 382,972
Receivables	31,682	235	11,030	42,947
TOTAL ASSETS	$ 195,864	$ 66,566	$ 163,489	$ 425,919
LIABILITIES				
Accounts payable	$ 4,451	$ 2,802	$ 404	$ 7,657
TOTAL LIABILITIES	4,451	2,802	404	7,657
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	9,114	171	9,263	18,548
TOTAL DEFERRED INFLOWS OF RESOURCES	9,114	171	9,263	18,548
FUND BALANCES				
Restricted for swimming pool operations	-	-	153,822	153,822
Committed for:				
Library programs	182,299	-	-	182,299
Unassigned	-	63,593	-	63,593
TOTAL FUND BALANCES	182,299	63,593	153,822	399,714
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 195,864	$ 66,566	$ 163,489	$ 425,919

CITY OF STAYTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS For the Year Ended June 30, 2018

	Library	Parks	Swimming Pool	Totals
REVENUES				
Property taxes	$ 168,428	$ 10,317	$ 171,228	$ 349,973
Licenses, permits and fees	1,946	-	-	1,946
Fines and forfeitures	13,179	-	-	13,179
Charges for services	85,415	-	161,796	247,211
Intergovernmental	1,263	-	-	1,263
Interest	3,323	-	2,092	5,415
Miscellaneous	6,500	-	-	6,500
TOTAL REVENUES	280,054	10,317	335,116	625,487
EXPENDITURES				
Current				
Culture and recreation	418,498	150,552	305,950	875,000
Capital outlay	44,930	65,683	-	110,613
TOTAL EXPENDITURES	463,428	216,235	305,950	985,613
Excess (deficiency) of revenues over expenditures	(183,374)	(205,918)	29,166	(360,126)
OTHER FINANCING SOURCES (USES)				
Transfers in	185,400	331,000	70,000	586,400
Transfers out	(26,500)	(28,800)	(7,500)	(62,800)
TOTAL OTHER FINANCING SOURCES (USES)	158,900	302,200	62,500	523,600
Net change in fund balances	(24,474)	96,282	91,666	163,474
Fund balances at beginning of year	206,773	(32,689)	62,156	236,240
Fund balances at end of year	$ 182,299	$ 63,593	$ 153,822	$ 399,714

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, 2018

	Budget	Actual	Variance
REVENUES			
Property taxes	$ 168,500	$ 168,428	$ (72)
Charges for services	4,000	3,757	(243)
Intergovernmental	85,300	84,867	(433)
Miscellaneous	17,000	23,002	6,002
TOTAL REVENUES	274,800	280,054	5,254
EXPENDITURES			
Personal services	338,200	292,063	46,137
Materials and services	128,500	126,435	2,065
Capital outlay	50,000	44,930	5,070
Contingency	71,131	-	71,131
TOTAL EXPENDITURES	587,831	463,428	124,403
Excess (deficiency) of revenues over expenditures	(313,031)	(183,374)	129,657
OTHER FINANCING SOURCES (USES)			
Transfers in	185,400	185,400	-
Transfers out	(26,500)	(26,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	158,900	158,900	-
Net change in fund balance	(154,131)	(24,474)	129,657
Fund balance at beginning of year	154,131	206,773	52,642
Fund balance at end of year	$ -	$ 182,299	$ 182,299

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, 2018

	Budget	Actual	Variance
REVENUES			
Property taxes	$ 10,000	$ 10,317	$ 317
TOTAL REVENUES	10,000	10,317	317
EXPENDITURES			
Personal services	83,500	77,326	6,174
Materials and services	75,500	73,226	2,274
Capital outlay	145,000	65,683	79,317
Contingency	38,700	-	38,700
TOTAL EXPENDITURES	342,700	216,235	126,465
Excess (deficiency) of revenues over expenditures	(332,700)	(205,918)	126,782
OTHER FINANCING SOURCES (USES)			
Transfers in	331,000	331,000	-
Transfers out	(28,800)	(28,800)	-
TOTAL OTHER FINANCING SOURCES (USES)	302,200	302,200	-
Net change in fund balance	(30,500)	96,282	126,782
Fund balance at beginning of year	30,500	(32,689)	(63,189)
Fund balance at end of year	$ -	$ 63,593	$ 63,593

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, 2018

	Budget	Actual	Variance
REVENUES			
Property taxes	$ 171,100	$ 171,228	$ 128
Charges for services	193,000	161,796	(31,204)
Interest	500	2,092	1,592
TOTAL REVENUES	364,600	335,116	(29,484)
EXPENDITURES			
Personal services	273,000	191,635	81,365
Materials and services	149,300	114,315	34,985
Contingency	69,717	-	69,717
TOTAL EXPENDITURES	492,017	305,950	186,067
Excess (deficiency) of revenues over expenditures	(127,417)	29,166	156,583
OTHER FINANCING SOURCES (USES)			
Transfers in	70,000	70,000	-
Transfers out	(7,500)	(7,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	62,500	62,500	-
Net change in fund balance	(64,917)	91,666	156,583
Fund balance at beginning of year	64,917	62,156	(2,761)
Fund balance at end of year	$ -	$ 153,822	$ 153,822

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, 2018

	Budget	Actual	Variance
REVENUES			
Interest	$ 9,900	$ 18,011	$ 8,111
Miscellaneous	23,000	23,000	-
TOTAL REVENUES	32,900	41,011	8,111
EXPENDITURES			
Contingency	419,913	-	419,913
TOTAL EXPENDITURES	419,913	-	419,913
Excess (deficiency) of revenues over expenditures	(387,013)	41,011	428,024
OTHER FINANCING SOURCES (USES)			
Transfers out	(600,000)	(600,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(600,000)	(600,000)	-
Net change in fund balance	(987,013)	(558,989)	428,024
Fund balance at beginning of year	987,013	987,695	682
Fund balance at end of year	$ -	428,706	$ 428,706
Reconciliation to generally accepted accounting principles			
Due from other funds		184,600	
Fund balances at end of year		$ 613,306	

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, 2018

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 1,786,300	$ 1,765,474	$ (20,826)
Interest	8,300	17,844	9,544
Miscellaneous	1,000	776	(224)
TOTAL REVENUES	1,795,600	1,784,094	(11,506)
EXPENDITURES			
Personal services	426,300	368,817	57,483
Materials and services	513,900	444,287	69,613
Capital outlay	265,000	8,357	256,643
Debt service	330,900	330,823	77
Contingency	277,900	-	277,900
TOTAL EXPENDITURES	1,814,000	1,152,284	661,716
Excess (deficiency) of revenues over expenditures	(18,400)	631,810	650,210
OTHER FINANCING SOURCES (USES)			
Transfers in	139,400	139,400	-
Transfers out	(442,500)	(442,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	(303,100)	(303,100)	-
Net change in fund balance	(321,500)	328,710	650,210
Fund balance at beginning of year	826,574	856,112	29,538
Fund balance at end of year	$ 505,074	1,184,822	$ 679,748
Reconciliation to generally accepted accounting principles			
Inventory		72,895	
Capital assets, net		6,722,339	
Deferred ouflows of resources		136,418	
Accrued interest payable		(10,128)	
Compensated absences payable		(16,590)	
Net other postemployment benefits obligation		(26,681)	
Net pension liability		(47,686)	
Long-term obligations		(4,038,384)	
Deferred inflows of resources		(52,696)	
Net position - ending		$ 3,924,309	

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, 2018

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 3,080,500	$ 2,953,598	$ (126,902)
Interest	30,000	55,122	25,122
Miscellaneous	1,000	260	(740)
TOTAL REVENUES	3,111,500	3,008,980	(102,520)
EXPENDITURES			
Personal services	533,100	449,937	83,163
Materials and services	982,960	885,632	97,328
Capital outlay	765,000	-	765,000
Debt service	825,600	825,547	53
Contingency	512,200	-	512,200
TOTAL EXPENDITURES	3,618,860	2,161,116	1,457,744
Excess (deficiency) of revenues over expenditures	(507,360)	847,864	1,355,224
OTHER FINANCING SOURCES (USES)			
Transfers in	207,400	207,400	-
Transfers out	(410,400)	(410,400)	-
TOTAL OTHER FINANCING SOURCES (USES)	(203,000)	(203,000)	-
Net change in fund balance	(710,360)	644,864	1,355,224
Fund balance at beginning of year	2,998,562	3,144,321	145,759
Fund balance at end of year	$ 2,288,202	3,789,185	$ 1,500,983
Reconciliation to generally accepted accounting principles			
Inventory		344,825	
Capital assets, net		12,840,412	
Deferred ouflows of resources		79,591	
Accrued interest payable		(182,168)	
Compensated absences payable		(17,900)	
Net other post-employment benefits		(24,584)	
Net pension liability		(43,939)	
Long-term obligations		(11,863,913)	
Deferred inflows of resources		(48,554)	
Net position - ending		$ 4,872,955	

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, 2018

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 274,900	$ 295,689	$ 20,789
Interest	600	2,462	1,862
TOTAL REVENUES	275,500	298,151	22,651
EXPENDITURES			
Personal services	41,200	38,881	2,319
Materials and services	71,800	61,414	10,386
Capital outlay	45,000	17,702	27,298
Debt service	25,070	25,070	-
Contingency	70,470	-	70,470
TOTAL EXPENDITURES	253,540	143,067	110,473
Excess (deficiency) of revenues over expenditures	21,960	155,084	133,124
OTHER FINANCING SOURCES (USES)			
Transfers in	10,700	10,700	-
Transfers out	(94,900)	(94,900)	-
TOTAL OTHER FINANCING SOURCES (USES)	(84,200)	(84,200)	-
Net change in fund balance	(62,240)	70,884	133,124
Fund balance at beginning of year	62,240	111,895	49,655
Fund balance at end of year	$ -	182,779	$ 182,779
Reconciliation to generally accepted accounting principles			
Capital assets, net		1,167,310	
Deferred ouflows of resources		7,356	
Due to other funds		(184,600)	
Net other postemployment benefit obligation		(2,272)	
Net pension liability		(4,061)	
Deferred inflows of resources		(4,487)	
Net position - ending		$ 1,162,025	

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, 2018

	Budget	Actual	Variance
REVENUES			
Intergovernmental	$ 366,300	$ -	$ (366,300)
Miscellaneous	50,000	-	(50,000)
TOTAL REVENUES	416,300	-	(416,300)
EXPENDITURES			
Materials and services	50,000	33,105	16,895
Capital outlay	500,000	-	500,000
TOTAL EXPENDITURES	550,000	33,105	516,895
Excess (deficiency) of revenues over expenditures	(133,700)	(33,105)	100,595
OTHER FINANCING SOURCES (USES)			
Transfers in	130,000	130,000	-
TOTAL OTHER FINANCING SOURCES (USES)	130,000	130,000	-
Net change in fund balance	(3,700)	96,895	100,595
Fund balance at beginning of year	3,700	(9,871)	(13,571)
Fund balance at end of year	$ -	$ 87,024	$ 87,024

CITY OF STAYTON

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018

	Public Works	Facilities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 221,610	$ 511,357	$ 732,967
TOTAL ASSETS	221,610	511,357	732,967
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	68,287	-	68,287
Other postemployment benefit related items	2,432	-	2,432
TOTAL DEFERRED OUTFLOWS OF RESOURCES	70,719	-	70,719
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	37,268	-	37,268
Compensated absences payable	6,278	-	6,278
Total current liabilities	43,546	-	43,546
Long-term obligations due in more than one year	60,885	-	60,885
TOTAL LIABILITIES	104,431	-	104,431
DEFERRED INFLOWS OF RESOURCES			
Pension related items	42,360	-	42,360
Other postemployment benefit related items	782	-	782
TOTAL DEFERRED INFLOWS OF RESOURCES	43,142	-	43,142
NET POSITION			
Unrestricted	144,756	511,357	656,113
TOTAL NET POSITION	$ 144,756	$ 511,357	$ 656,113

CITY OF STAYTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS For the Year Ended June 30, 2018

	Public Works	Facilities	Totals
OPERATING EXPENSES			
Personal services	$ 315,161	$ 11,407	$ 326,568
Materials and services	74,668	-	74,668
Total operating expenses	389,829	11,407	401,236
Operating (loss)	(389,829)	(11,407)	(401,236)
NONOPERATING REVENUES (EXPENSES)			
Rents	-	45,739	45,739
Interest	4,570	8,790	13,360
Total nonoperating revenues (expenses)	4,570	54,529	59,099
Income (loss) before transfers	(385,259)	43,122	(342,137)
Transfers in	415,400	70,900	486,300
Transfers out	(75,000)	(100,000)	(175,000)
Change in net position	(44,859)	14,022	(30,837)
Total net position at beginning of year	189,615	497,335	686,950
Total net position at end of year	$ 144,756	$ 511,357	$ 656,113

CITY OF STAYTON

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

	Public Works	Facilities	Totals
CASH FLOWS FROM OPERATING ACTIVITES			
Payments to suppliers	$ (57,652)	$ -	$ (57,652)
Payments to employees	(315,109)	(11,407)	(326,516)
NET CASH (USED IN) OPERATING ACTIVITIES	(372,761)	(11,407)	(384,168)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	415,400	70,900	486,300
Transfers out	(75,000)	(100,000)	(175,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	340,400	(29,100)	311,300
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Rents	-	45,739	45,739
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	-	45,739	45,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	4,570	8,790	13,360
Net increase in cash and cash equivalents	(27,791)	14,022	(13,769)
Cash and cash equivalents- beginning of year	249,401	497,335	746,736
Cash and cash equivalents - end of year	$ 221,610	$ 511,357	$ 732,967
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating (loss)	$ (389,829)	$ (11,407)	$ (401,236)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
(Increase) in assets and deferred outflows			
Pension related items	25,952	-	25,952
Other postemployment benefit related items	108	-	108
Increase (decrease) in liabilities and deferred inflows			
Accounts payable and accrued liabilities	17,016	-	17,016
Compensated absences payable	(452)	-	(452)
Net pension liability	(61,528)	-	(61,528)
Other postemployment benefit obligation	1,439	-	1,439
Pension related items	33,751	-	33,751
Other postemployment benefit related items	782	-	782
NET CASH (USED IN) OPERATING ACTIVITIES	$ (372,761)	$ (11,407)	$ (384,168)

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, 2018

	Budget	Actual	Variance
REVENUES			
Interest	$ 2,200	$ 4,570	$ 2,370
TOTAL REVENUES	2,200	4,570	2,370
EXPENDITURES			
Personal services	334,200	315,109	19,091
Materials and services	81,300	74,668	6,632
Contingency	144,716	-	144,716
TOTAL EXPENDITURES	560,216	389,777	170,439
Excess (deficiency) of revenues over expenditures	(558,016)	(385,207)	172,809
OTHER FINANCING SOURCES (USES)			
Transfers in	415,400	415,400	-
Transfers out	(75,000)	(75,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	340,400	340,400	-
Net change in fund balance	(217,616)	(44,807)	172,809
Fund balance at beginning of year	217,616	229,149	11,533
Fund balance at end of year	$ -	184,342	$ 184,342
Reconciliation to generally accepted accounting principles			
Deferred ouflows of resources		70,719	
Compensated absences payable		(6,278)	
Net other postemployment benefit obligation		(21,844)	
Net pension liability		(39,041)	
Deferred inflows of resources		(43,142)	
Net position - ending		$ 144,756	

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, 2018

	Budget	Actual	Variance
REVENUES			
Rent	$ 46,400	$ 45,739	$ (661)
Interest	4,900	8,790	3,890
TOTAL REVENUES	51,300	54,529	3,229
EXPENDITURES			
Personal services	12,500	11,407	1,093
Materials and services	25,000	-	25,000
Contingency	475,137	-	475,137
TOTAL EXPENDITURES	512,637	11,407	501,230
Excess (deficiency) of revenues over expenditures	(461,337)	43,122	504,459
OTHER FINANCING SOURCES (USES)			
Transfers in	70,900	70,900	-
Transfers out	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(29,100)	(29,100)	-
Net change in fund balance	(490,437)	14,022	504,459
Fund balance at beginning of year	490,437	497,335	6,898
Fund balance at end of year	$ -	$ 511,357	$ 511,357

CITY OF STAYTON

COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
June 30, 2018

	Retirement Plan for Employees of the City of Stayton	Retirement Health Insurance Account	Totals
ASSETS			
Cash and cash equivalents	$ 377,833	$ 5,583	$ 383,416
Receivables	25,805	940	26,745
Investments, at fair value			
Mutual funds	7,004,471	103,486	7,107,957
TOTAL ASSETS	7,408,109	110,009	7,518,118
NET POSITION			
Net position held in trust for:			
Pension benefits	7,408,109	-	7,408,109
Other post-employment benefits	-	110,009	110,009
TOTAL NET POSITION	$ 7,408,109	$ 110,009	$ 7,518,118

CITY OF STAYTON

COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
For the Year Ended June 30, 2018

	Retirement Plan for Employees of the City of Stayton	Retirement Health Insurance Account	Totals
ADDITIONS			
Contributions	$ 308,472	$ 15,767	$ 324,239
Investment earnings	527,578	7,616	535,194
Total additions	836,050	23,383	859,433
DEDUCTIONS			
Benefits	266,723	9,000	275,723
Administrative expenses	44,129	637	44,766
Total deductions	310,852	9,637	320,489
Change in net position	525,198	13,746	538,944
Net position - beginning of year	6,882,911	96,263	6,979,174
Net position - end of year	$ 7,408,109	$ 110,009	$ 7,518,118

COMPLIANCE SECTION

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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, 2018, and have issued our report thereon dated December 12, 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:

Budgets legally required (ORS Chapter 294)

1. Expenditures in excess of appropriations occurred as follows:

Fund - Appropriation Category	Appropriations	Actual	Variance
General - Police	$ 2,177,200	$ 2,222,559	$ 45,359

2. Use of operating contingency in nonoperating funds:

   OAR 150-294-0430(1) states: "An estimate for general operating contingency may be included in any operating fund." OAR 150-294-0430(1)(a) defines an operating fund as: An operating fund is one which contains estimates for personnel services, materials and services, or capital outlay. The 2017-18 budget for the Vehicle Replacement Fund, and the 2018-19 budgets for the Parks System Development Charge, Stormwater System Development Charge and Vehicle Replacement Funds included appropriations for contingency but did not include personnel services, materials and services, or capital outlay.

3. Budget summary published with notice of budget hearing:

   The adopted 2017-2018 budget published on Form LB-1 did not agree with the 2017-18 budget as adopted and the approved budget amounts for 2018-2019 did not agree with the budget approved by the budget committee.

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.

Restriction on Use

This report is intended solely for the information and use of the city council members 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
December 12, 2018

By:

Bradley G. Bingenheimer, Member

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

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 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, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 12, 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. 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.

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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.

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.

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