

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CITY OF WALDPOR
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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CITY OFFICIALS

CITY OF WALDPORT

CITY OFFICIALS

June 30, 2015

Mayor and City Council

Susan Woodruff, Mayor
P.O. Box 1631
Waldport, Oregon 97394

Jack Christenson
940 Skyline Drive
Waldport, Oregon 97394

Mark Campbell
1680 Crestline Drive
Waldport, Oregon 97394

Dann Cutter
2226 N. Coast Highway
Newport, Oregon 97365

Pauline Gates
2240 Crestline Dr.
Waldport, Oregon 97394

Gregory Holland
P.O. Box 2550
Waldport, Oregon 97394

Bob O'Brien
P.O. Box 1720
Waldport, Oregon 97394

City Manager

Kerry E. Kemp
P.O. Box 1120
Waldport, Oregon 97394

City Attorney

Pete Gintner
Macpherson, Gintner & Diaz
P.O. Box 1270
Newport, Oregon 97365

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

September 10, 2015

To the City Council
City of Waldport, Oregon:

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Waldport, as of and for the year ended June 30, 2015, 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 State 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

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, and each major fund of the City of Waldport as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of net pension liability and budgetary comparison information on the General Fund and the Major Special Revenue Funds 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 management's discussion and analysis and the schedule of net pension liability 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information as shown in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

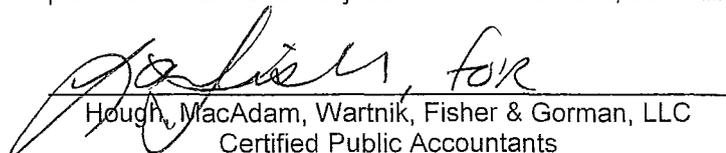
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waldport's basic financial statements. The combining and individual fund financial statements as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. These fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards and Oregon Revised Statutes

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015, on our consideration of the City of Waldport'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waldport's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated September 10, 2015 on our consideration of the City of Waldport's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.


Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants

CITY OF WALDPOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

This management's discussion and analysis (MD&A) provides an overview of financial activities and financial position for the City of Waldport for fiscal year ending June 30, 2015. The analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position, budget changes, and specific issues related to funds and the economic factors affecting the city.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$11.7 million (net position) as of June 30, 2015. Of this amount, \$9.7 million is invested in capital assets, net of related debt.
- The city's net position increased 2% during the 2014-2015 fiscal year and the increase is attributed to the implementation of GASB 68, whose objective is to improve accounting and financial reporting by local governments for pensions.
- Total revenues for fiscal year ending 2015 increased 1% over the previous year. The total expenses for programs and services decreased 8%.

DISCUSSION OF FINANCIAL STATEMENTS

Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business and include the Statement of Net Position and the Statement of Activities. The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate entities for which the City is financially accountable, the Waldport Urban Renewal Agency and the Waldport Road District.

- The Statement of Net Position focuses on resources available for future operation and presents all of the City's assets and liabilities, with the difference of the two reported as net assets. The net difference, or net assets, is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses on activities during the most recent fiscal year and how those activities contributed to the change in net assets. Revenues and expenses are reported when the underlying event occurs regardless of the timing of cash flows. The statement provides an analysis to determine the extent to which programs are self-supporting or subsidized by general revenues.

Fund financial statements segregate resources and their related expenditures to ensure and demonstrate compliance with financial and legal requirements. Budgetary comparison statements are presented for the funds as well.

Governmental funds and proprietary funds use different accounting approaches. Governmental funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Proprietary funds are reported using accrual basis for accounting and include all assets and liabilities associated with the operation of these funds.

GOVERNMENT WIDE CONDENSED FINANCIAL INFORMATION

The Statement of Net Position and the Statement of Activities include all assets and liabilities using the accrual basis for accounting, which is similar to the accounting used by most private sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

Net position, the difference between assets and liabilities, is one way to measure the city's financial health or position. Other nonfinancial factors, such as changes in the city's property tax base and the condition of city utilities and roads, also need to be considered to assess the overall health of the city.

City of Waldport
Statement of Net Position

	Governmental Activities		Business Type Activities		City as a Whole	
	2014	2015	2014	2015	2014	2015
Assets:						
Current assets	\$ 518,591	\$ 665,340	\$ 492,363	\$ 605,928	\$ 1,010,954	\$ 1,271,268
Other assets	360,354	520,854	234,003	487,537	594,357	1,008,391
Capital assets	2,798,254	2,648,727	9,599,270	9,409,584	12,397,524	12,058,311
Total assets	\$ 3,677,199	\$ 3,834,921	\$ 10,325,636	\$ 10,503,049	\$ 14,002,835	\$ 14,337,970
Liabilities:						
Current liabilities	\$ 119,139	\$ 130,618	\$ 117,684	\$ 119,360	\$ 236,823	\$ 249,978
Other liabilities	-	72,050	-	74,830	-	146,880
Long term liabilities	1,122,007	1,084,516	1,253,579	1,189,546	2,375,586	2,274,062
Total liabilities	\$ 1,241,146	\$ 1,287,184	\$ 1,371,263	\$ 1,383,736	\$ 2,612,409	\$ 2,670,920
Net position:						
Net investment in capital assets	\$ 1,640,222	\$ 1,526,720	\$ 8,282,948	\$ 8,156,005	\$ 9,923,170	\$ 9,682,725
Restricted	226,466	349,143	85,788	87,005	312,254	436,148
Unrestricted	569,365	671,874	585,637	876,303	1,155,002	1,548,177
Total net position	\$ 2,436,053	\$ 2,547,737	\$ 8,954,373	\$ 9,119,313	\$ 11,390,426	\$ 11,667,050

As of June 30, 2015, the city had \$12 million invested in a broad range of capital assets, including water, wastewater, and street utility systems. Depreciation surpassed additions to capital assets in 2015. More detailed information about the city's capital assets is presented in the notes to the financial statements.

The city's fiscal year 2015-2016 budget has appropriated \$930,230 for capital outlays, which includes construction of Lint Slough Trail and Waziyata Beach Access, lagoon sludge removal, purchase of a smaller excavator, street improvements, and replacing Eckman Lake waterline. Also, the purchase of property is planned for relocating the Public Works shop, with a purchase price of \$625,000.

As of June 30, 2015, the city owed \$2.4 million of principal debt. An Oregon Business Development borrowing of \$500,000 is planned for the upcoming year (2015-2016). Detailed information about the city's long term debt is presented in the notes to the financial statements.

The city's net position was comparable to the previous year except for the advent of GASB 68 and was \$11.7 million on June 30, 2015. Net position for governmental fund activities includes governmental debt of \$1.1 million, primarily the voter-approved general obligation bond. Taxes are levied annually, as provided by law, to pay the principal and interest on the general obligation bond. Proprietary fund activities resulted in net position of \$9 million, which are primarily invested in capital assets.

Total revenues for fiscal year ending 2015 increased 1% over the previous year. Charges for services increased 2% due to a water and sewer rate increase. Tax revenues increased 2%. Assessed values decreased slightly after a physical property reappraisal of Waldport. The total expenses for programs and services decreased 8%.

City of Waldport
Statement of Activities

	Governmental Activities		Business Type Activities		City as a Whole	
	2014	2015	2014	2015	2014	2015
Program Revenues:						
Charges for services	\$ 52,732	\$ 58,115	\$ 1,151,404	\$ 1,172,737	\$ 1,204,136	\$ 1,230,852
Grants and contributions	25,224	24,761	13,249	1,000	38,473	25,761
General Revenues:						
Taxes	876,156	890,408	-	-	876,156	890,408
Intergovernmental	334,090	332,880	-	-	334,090	332,880
Interest	3,143	3,617	2,297	2,610	5,440	6,227
Total Revenues	1,291,345	1,309,781	1,166,950	1,176,347	2,458,295	2,486,128
Expenses:						
General government	467,743	401,858	-	-	467,743	401,858
Public safety	364,459	347,017	-	-	364,459	347,017
Streets, storm water	313,161	288,196	-	-	313,161	288,196
Community, recreation	288,082	283,510	-	-	288,082	283,510
Economic development	10,488	18,995	-	-	10,488	18,995
Interest on long term debt	52,006	51,101	-	-	52,006	51,101
Water	-	-	501,311	432,266	501,311	432,266
Sewer	-	-	573,915	543,691	573,915	543,691
Total Expenses	1,495,939	1,390,677	1,075,226	975,957	2,571,165	2,366,634
Excess (deficiency) before transfers	(204,594)	(80,896)	91,724	200,390	(112,870)	119,494
Contributed capital	-	-	-	-	-	-
Transfers in (out)	82,605	126,347	(82,605)	(126,347)	-	-
Changes in net position	(121,989)	45,451	9,119	74,043	(112,870)	119,494
Net position at beginning of year	2,558,042	2,436,053	8,945,254	8,954,373	11,503,296	11,390,426
Prior period adjustment	-	66,233	-	90,897	-	157,130
Net position at end of year	\$ 2,436,053	\$ 2,547,737	\$ 8,954,373	\$ 9,119,313	\$ 11,390,426	\$ 11,667,050

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

At the end of the fiscal year, fund balances for all governmental funds totaled \$899,254, an increase of 12% over the previous year. Expenses decreased for general government, sheriff contract services, and streets, and increased for recreation and economic development.

Water fund net position increased 1% over the previous year. Water charges for services were 1% higher than the previous year. Water materials and services decreased 9% over the previous year; the previous year had an increase of public works services at the Water Treatment Plant.

Sewer fund net position decreased 1% over the previous year. Sewer charges for services were 3% higher than the previous year. Sewer materials and services increased 1% over the previous year.

BUDGETARY CHANGES

Several changes were made during the fiscal year to adjust the city's originally adopted budget. Total appropriations increased by \$27,600 and included emergency management materials, repairs to the library building, and continued work on the water reservoir.

ECONOMIC CONDITIONS

Waldport's elected and appointed officials consider many factors when setting the budget, tax rates, and fees charged for services and activities. One of those factors is a consideration of the economic conditions of the Waldport area. Waldport has an estimated population of 2,050 and is located on the Pacific Ocean in the central portion of the Oregon Coast in Lincoln County. Lincoln County's assessed value for the City of Waldport was \$208 million for year ending June 30, 2015, comparable to the previous year. Alsea Bay, Alsea River, Lint Slough, and the Siuslaw National Forest offer some outstanding natural features in Waldport, and current community efforts are underway to "market" these recreational opportunities to tourists, as well as increase opportunities for our citizens.

The financial condition of the city continues to be relatively stable and sufficiently adequate to provide a range of services as expected by the citizens. The city is still able to implement plans and necessary infrastructure to meet the needs of future years as well as respond to immediate issues. Waldport continues to be in fairly healthy financial shape. Waldport receives its primary revenues from stable sources, rather than sources that fluctuate with the economic tides, and we are able to keep pace with our infrastructure needs. The city remains conservative and efficient in our provision of those basic services that we provide the community.

The city is fortunate to have planned for infrastructure needs, as many cities are struggling to fund capital improvements. Waldport will be able to make necessary system upgrades, as needed due to growth, essentially from revenues derived from growth via system development charges on new development, and the incremental tax revenues from Urban Renewal.

FINANCIAL CONTACT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Waldport's finances and to show the city's accountability for the money it receives. Questions concerning information provided in this report or requests for additional financial information should be addressed to: Kerry E. Kemp, City Manager, City of Waldport, PO Box 1120, Waldport, OR 97394.

BASIC FINANCIAL STATEMENTS

CITY OF WALDPOR
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 560,848	\$ 493,111	\$ 1,053,959
Receivables:			
Accounts (net)	39,501	107,444	146,945
Property taxes	64,991	-	64,991
Special assessments	-	5,373	5,373
Cash and cash equivalents - restricted	144,372	200,966	345,338
Investments - restricted	165,000	-	165,000
Inventories	7,466	42,912	50,378
Net pension asset	164,905	202,262	367,167
Capital assets:			
Nondepreciable capital assets	205,694	155,664	361,358
Construction in process	21,741	302,553	324,294
Depreciable assets, net of depreciation	<u>2,421,292</u>	<u>8,951,367</u>	<u>11,372,659</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	<u>39,111</u>	<u>41,397</u>	<u>80,508</u>
Total assets	<u>3,834,921</u>	<u>10,503,049</u>	<u>14,337,970</u>
LIABILITIES			
Accounts payable	13,358	8,183	21,541
Accrued payroll liabilities	-	3,300	3,300
Prepaid business licenses	10,475	-	10,475
Compensated absences payable	23,134	33,321	56,455
Accrued interest payable	46,160	10,523	56,683
Current portion of capital lease payable	1,787	-	1,787
Current portion of general obligation bonds payable	35,704	-	35,704
Current portion of revenue bond payable	-	15,789	15,789
Current portion of notes payable	-	48,244	48,244
Total current liabilities	<u>130,618</u>	<u>119,360</u>	<u>249,978</u>
Long-term liabilities			
Capital lease payable (net of current portion)	1,353	-	1,353
General obligation bonds payable (net of current portion)	1,083,163	-	1,083,163
Revenue bond payable (net of current portion)	-	702,483	702,483
Notes payable (net of current portion)	-	487,063	487,063
Total long-term liabilities	<u>1,084,516</u>	<u>1,189,546</u>	<u>2,274,062</u>
Total liabilities	<u>1,215,134</u>	<u>1,308,906</u>	<u>2,524,040</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	<u>72,050</u>	<u>74,830</u>	<u>146,880</u>
NET POSITION			
Net investment in capital assets	1,526,720	8,156,005	9,682,725
Restricted for:			
Streets	160,541	-	160,541
Footpaths and bicycle trails	3,817	-	3,817
System development	14,716	87,005	101,721
Urban renewal construction	170,069	-	170,069
Unrestricted	<u>671,874</u>	<u>876,303</u>	<u>1,548,177</u>
Total net position	<u>\$ 2,547,737</u>	<u>\$ 9,119,313</u>	<u>\$ 11,667,050</u>

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

CITY OF WALDPOR
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services & Contracts	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business Type Activities	Total
Governmental activities:							
General government	\$ 401,854	\$ 20,242	\$ 3,600	\$ -	\$ (378,012)	\$ -	\$ (378,012)
Public safety	347,017	19,320	2,000	-	(325,697)	-	(325,697)
Highways and streets	288,196	-	-	-	(288,196)	-	(288,196)
Culture and recreation	283,514	18,553	7,240	-	(257,721)	-	(257,721)
Economic development	18,995	-	-	11,921	(7,074)	-	(7,074)
Interest expense	51,101	-	-	-	(51,101)	-	(51,101)
Total governmental activities	1,390,677	58,115	12,840	11,921	(1,307,801)	-	(1,307,801)
Business-type activities:							
Water	432,266	589,487	-	-	-	157,221	157,221
Sewer	543,691	583,250	-	-	-	39,559	39,559
Total business-type activities	975,957	1,172,737	-	-	-	196,780	196,780
Total government	\$ 2,366,634	\$ 1,230,852	\$ 12,840	\$ 11,921	(1,307,801)	196,780	(1,111,021)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					466,888	-	466,888
Property taxes, levied for dedicated purposes					273,094	-	273,094
Intergovernmental aid not restricted to specific purposes					57,383	-	57,383
Intergovernmental aid restricted to specific purposes					275,497	-	275,497
Franchise and room taxes					150,426	-	150,426
Gain (Loss) on disposition of capital assets					-	1,000	1,000
Interest and investment earnings					3,617	2,610	6,227
Total General Revenues					1,226,905	3,610	1,230,515
Other							
Transfer in (out)					126,347	(126,347)	-
Changes in net position					45,451	74,043	119,494
Net position - beginning of year					2,436,053	8,954,373	11,390,426
Prior period adjustment					66,233	90,897	157,130
Net position - beginning, as restated					2,502,286	9,045,270	11,547,556
Net position - end of year					\$ 2,547,737	\$ 9,119,313	\$ 11,667,050

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

**CITY OF WALDPOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General	Street	Urban Renewal	Road District	Total
ASSETS					
Cash and cash equivalents	\$ 354,726	\$ 147,479	\$ 200,661	\$ 2,354	\$ 705,220
Investments	165,000	-	-	-	165,000
Receivables (net)					
Accounts receivable	30,300	9,201	-	-	39,501
Property taxes	48,905	-	3,776	12,310	64,991
Inventory	-	7,466	-	-	7,466
Total assets	<u>\$ 598,931</u>	<u>\$ 164,146</u>	<u>\$ 204,437</u>	<u>\$ 14,664</u>	<u>\$ 982,178</u>
LIABILITIES					
Accounts payable	\$ 10,116	\$ 3,242	\$ -	\$ -	\$ 13,358
Unearned revenues	10,475	-	-	-	10,475
Total liabilities	<u>20,591</u>	<u>3,242</u>	<u>-</u>	<u>-</u>	<u>23,833</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	44,405	-	3,476	11,210	59,091
FUND BALANCES					
Nonspendable	-	7,466	-	-	7,466
Restricted	274,663	153,438	200,961	3,454	632,516
Assigned	112,108	-	-	-	112,108
Unassigned	147,164	-	-	-	147,164
Total fund balances	<u>533,935</u>	<u>160,904</u>	<u>200,961</u>	<u>3,454</u>	<u>899,254</u>
Total liabilities and fund balances	<u>\$ 598,931</u>	<u>\$ 164,146</u>	<u>\$ 204,437</u>	<u>\$ 14,664</u>	<u>\$ 982,178</u>

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

CITY OF WALDPOR
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances - governmental funds \$ 899,254

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

Certain assets are not current financial resources in governmental funds, but instead are reported in the Statement of Net Position:

Capital assets, net of depreciation	2,648,727	
Net pension asset	164,905	
Deferred outflows of resources related to pensions	39,111	
	2,852,743	2,852,743

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

Property taxes		59,091
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All liabilities are reported in the Statement of Net Position, however, if they are not due and payable in the current period, they are not recorded in the governmental funds:

Compensated absences payable	\$ (23,134)	
Deferred inflows of resources related to pensions	(72,050)	
Accrued interest payable on note payable	(46,160)	
Bond payable	(1,118,867)	
Capital lease payable	(3,140)	
	(1,263,351)	(1,263,351)

Total net position - governmental activities \$ 2,547,737

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

CITY OF WALDPOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General	Street	Urban Renewal	Road District	Total
Revenues:					
Property taxes	\$ 554,536	\$ -	\$ 49,286	\$ 140,098	\$ 743,920
Franchise and room taxes	150,426	-	-	-	150,426
Intergovernmental	216,612	116,268	-	-	332,880
Fees, licenses and charges for services	71,863	139,000	-	-	210,863
Interest earnings	1,980	456	1,078	103	3,617
Donations and grants	24,761	-	-	-	24,761
Total revenues	<u>1,020,178</u>	<u>255,724</u>	<u>50,364</u>	<u>140,201</u>	<u>1,466,467</u>
Expenditures:					
Current:					
General government	434,293	-	-	-	434,293
Public safety	347,017	-	-	-	347,017
Highways and streets	-	186,361	-	139,435	325,796
Culture and recreation	246,769	-	-	-	246,769
Economic development	8,574	-	24,169	-	32,743
Capital outlay	16,741	-	5,000	-	21,741
Debt service	86,053	-	100,627	-	186,680
Total expenditures	<u>1,139,447</u>	<u>186,361</u>	<u>129,796</u>	<u>139,435</u>	<u>1,595,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,269)</u>	<u>69,363</u>	<u>(79,432)</u>	<u>766</u>	<u>(128,572)</u>
Other financing sources (uses):					
Transfer in (out)	152,975	(26,628)	-	-	126,347
Issuance of debt	-	-	100,000	-	100,000
Total other financing sources (uses)	<u>152,975</u>	<u>(26,628)</u>	<u>100,000</u>	<u>-</u>	<u>226,347</u>
Net change in fund balances	33,706	42,735	20,568	766	97,775
Fund balances at beginning of year	<u>500,229</u>	<u>118,169</u>	<u>180,393</u>	<u>2,688</u>	<u>801,479</u>
Fund balances at end of year	<u>\$ 533,935</u>	<u>\$ 160,904</u>	<u>\$ 200,961</u>	<u>\$ 3,454</u>	<u>\$ 899,254</u>

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

CITY OF WALDPOR
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental funds \$ 97,775

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

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

Property taxes (3,938)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount of capital outlay netted with depreciation and dispositions during the period.

Capital outlay	\$ 21,741	
Depreciation and dispositions	<u>(171,268)</u>	
		(149,527)

In the governmental funds, long-term liabilities are recorded when paid and amortization expenses are not reported. On the Statement of Activities, they are recorded when accrued.

Changes in compensated absences payable	(2,030)	
Changes in accrued interest payable	<u>1,413</u>	
		(617)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.

65,733

The issuance of long-term debt provides current financial resources to the governmental funds while the repayment of long-term debt consumes the current financial resources. However, neither has any effect on the Statement of Activities:

Issuance of debt	(100,000)	
Repayment of debt	<u>136,025</u>	
		<u>36,025</u>

Change in net position of governmental activities \$ 45,451

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

**CITY OF WALDPOR
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015**

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Sewer	Totals	Public Works Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 103,636	\$ 213,871	\$ 317,507	\$ 175,604
Accounts receivable - net	62,390	45,054	107,444	-
Assessments receivable	-	5,373	5,373	-
Restricted assets - cash	88,762	112,204	200,966	-
Inventory	38,745	4,167	42,912	-
Total current assets	293,533	380,669	674,202	175,604
Other Assets:				
Net pension asset	-	-	-	202,262
Capital assets:				
Land	89,757	10,741	100,498	5,723
Water rights	49,443	-	49,443	-
Construction in process	276,698	-	276,698	25,855
Depreciable assets, net of depreciation	2,633,979	6,200,727	8,834,706	116,661
Total capital assets, net	3,049,877	6,211,468	9,261,345	148,239
Total assets	3,343,410	6,592,137	9,935,547	526,105
Deferred outflows of resources				
Deferred amounts related to pensions	-	-	-	41,397
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	5,475	43	5,518	2,665
Accrued payroll liabilities	-	-	-	3,300
Compensated absences payable	-	-	-	33,321
Accrued interest payable	2,070	8,453	10,523	-
Current portion of revenue bond payable	-	15,789	15,789	-
Current portion of notes payable	33,342	14,902	48,244	-
Total current liabilities	40,887	39,187	80,074	39,286
Long-term liabilities:				
Revenue bond payable (net of current portion)	-	702,483	702,483	-
Notes payable (net of current portion)	422,128	64,935	487,063	-
Total long-term liabilities	422,128	767,418	1,189,546	-
Total liabilities	463,015	806,605	1,269,620	39,286
Deferred inflows of resources				
Deferred amounts related to pensions	-	-	-	74,830
Net position:				
Net investment in capital assets	2,594,407	5,413,359	8,007,766	148,239
Expendable, restricted for:				
System development	66,602	20,403	87,005	-
Unrestricted	219,386	351,770	571,156	305,147
Total net position	\$ 2,880,395	\$ 5,785,532	8,665,927	\$ 453,386
Reconciliation to the Statement of Net Position - Business-Type Activities				
Inclusion of Internal Service Fund			453,386	
Net position at end of year, Statement of Net Position - Business-Type Activities			\$ 9,119,313	

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

CITY OF WALDPOR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Sewer	Totals	Public Works Internal Service Fund
Operating revenues:				
Charges for services, net of bad debt	\$ 589,487	\$ 583,250	\$ 1,172,737	\$ 742,684
Operating expenses:				
Current:				
Personnel services	-	-	-	595,684
Materials and services	379,532	404,041	783,573	60,271
Depreciation	77,191	137,685	214,876	23,752
Total operating expenses	456,723	541,726	998,449	679,707
Operating income (loss)	132,764	41,524	174,288	62,977
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	1,000	-	1,000	-
Interest earnings	681	1,067	1,748	862
Interest expense	(7,031)	(33,454)	(40,485)	-
Total nonoperating revenues (expenses)	(5,350)	(32,387)	(37,737)	862
Income (loss) before transfers and contributions	127,414	9,137	136,551	63,839
Transfers and contributions:				
Capital contributions to other funds	(25,855)	-	(25,855)	25,855
Transfers (to) from other funds	(74,409)	(51,938)	(126,347)	-
Change in net position	27,150	(42,801)	(15,651)	89,694
Net position at beginning of year	2,853,245	5,828,333	8,681,578	272,795
Prior period adjustment	-	-	-	90,897
Net assets at beginning of year, restated	2,853,245	5,828,333	8,681,578	363,692
Net position at end of year	\$ 2,880,395	\$ 5,785,532	\$ 8,665,927	\$ 453,386
Reconciliation of change in net position on the Statement of Revenues, Expenses, and Changes in Net Position- Proprietary Funds to the change in net position on the Statement of Activities - Business-Type Activities				
Change in net position - Proprietary Funds			\$ (15,651)	
Inclusion of Internal Service Fund			89,694	
Change in net position - Business-Type Activities			\$ 74,043	

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

CITY OF WALDPOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Increase (Decrease) in Cash and Cash Equivalents
For the Fiscal Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Sewer	Totals	Public Works Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 585,292	\$ 584,333	\$ 1,169,625	\$ 3,065
Receipts from interfund services provided	-	-	-	739,619
Payments for interfund services used	311,321	301,536	612,857	-
Cash paid to employees	-	-	-	(676,757)
Cash paid to suppliers	(691,058)	(704,631)	(1,395,689)	(60,284)
Net cash provided (used) by operating activities	<u>205,555</u>	<u>181,238</u>	<u>386,793</u>	<u>5,643</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(74,409)	(51,938)	(126,347)	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(49,797)	-	(49,797)	-
Interest paid	(7,147)	(33,800)	(40,947)	-
Principal payments on long-term debt	(33,175)	(29,568)	(62,743)	-
Net cash provided (used) by capital and related financing activities	<u>(90,119)</u>	<u>(63,368)</u>	<u>(153,487)</u>	<u>-</u>
Cash flows from investing activities:				
Proceeds from the sale of capital assets	1,000	-	1,000	-
Interest on investments	681	1,067	1,748	862
Net cash provided (used) by investing activities:	<u>1,681</u>	<u>1,067</u>	<u>2,748</u>	<u>862</u>
Net increase (decrease) in cash and cash equivalents	42,708	66,999	109,707	6,505
Cash and cash equivalents at beginning of year (including restricted cash of \$195,207)	<u>149,690</u>	<u>259,076</u>	<u>408,766</u>	<u>169,099</u>
Cash and cash equivalents at end of year (including restricted cash of \$200,966)	<u>\$ 192,398</u>	<u>\$ 326,075</u>	<u>\$ 518,473</u>	<u>\$ 175,604</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 132,764	\$ 41,524	\$ 174,288	\$ 62,977
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	77,191	137,685	214,876	23,752
Change in assets and liabilities:				
Accounts receivable	(4,195)	1,083	(3,112)	-
Inventory	(5,022)	906	(4,116)	-
Accounts payable	4,817	40	4,857	1,235
Deferred inflow/outflows related to pension	-	-	-	(77,932)
Accrued payroll and benefits	-	-	-	(4,389)
Net cash provided (used) by operating activities	<u>\$ 205,555</u>	<u>\$ 181,238</u>	<u>\$ 386,793</u>	<u>\$ 5,643</u>
Noncash investing, capital, and financing activities:				
Contribution of capital assets to other funds	<u>\$ (25,855)</u>	<u>\$ -</u>	<u>\$ (25,855)</u>	<u>\$ 25,855</u>

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

CITY OF WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Waldport (City), Lincoln County, Oregon, a municipal corporation, provides for public improvements and general administrative services. The City operates under a Council-Manager form of government consisting of seven elected members and a Manager directly responsible to them.

The basic financial statements include all financial activities, organizations and functions for which the City Council is responsible for financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by GASB, the City of Waldport's Urban Renewal Agency and Special Road District #3 are component units of the City.

Blended Component Units. The Waldport Urban Renewal Agency (Agency) was created by adoption of City Ordinance 435 in 1981. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. The Waldport Special Road District #3 (Road District), was created by adoption of City Ordinance 488 in 1983. The Road District is organized under general laws pertaining to road districts in the State of Oregon. The City is neither responsible for deficits nor entitled to surpluses of the Agency or Road District. The Agency and District Boards are appointed by and made up of the same members as the Common Council of the City; therefore the City has the ability to impose its will on both the Agency and the Road District. Therefore, based on standards set forth by the Governmental Accounting Standards Board, the Agency and Road District are considered to be "component units" of the City. In addition, the City has operational responsibility for both the Agency and the Road District. Accordingly, the financial statements of the Agency and Road District are included in the City's basic financial statements as special revenue funds using the "blended" method of presentation. A copy of the Agency's and Road District's financial statements can be obtained from the City Hall located at 125 Alsea Hwy, Waldport, Oregon 97394.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. Inter-fund activity such as loans and transfers are eliminated to avoid "doubling up" revenues and expenses.

Governmental activities – The City's general government activities are reported in this category, including the General Fund and Special Revenue Funds. Funding sources vary and include property taxes and intergovernmental revenues.

Business-type activities – The City provides water and sewer services to its customers and this category reports the activities of the proprietary funds.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Fund Financial Statements. Fund financial statements report detailed information about the City. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The various funds of the City are grouped into the categories governmental and proprietary.

The financial statements for the governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenditures and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

An accrual for unearned revenue arises in the Governmental Funds Balance Sheet when potential revenue does not meet the earned and available criteria for recognition in the current period. A deferred inflow of resources consists of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Unearned revenues arise outside the scope of measurement focus and basis of accounting, such as when the City received resources before it has a legal claim to them. An example of this would be when grant monies are received prior to the incurrence of qualifying expenses.

Franchise taxes, special assessments, licenses, fees and permits, interest and charges for services are susceptible to accrual if collected within 30 days of fiscal year end. Property taxes receivable are subject to accrual if received within 60 days of fiscal year end. All other property taxes are offset by deferred property tax inflows of resources and, accordingly, have not been recorded as revenue. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City presents separate financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements. The City has elected to present its component units as major funds.

Major governmental funds include:

General Fund - This fund is the City's primary operating fund. This fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund also accounts for servicing of governmental long-term debt.

Street Fund - This fund is a Special Revenue fund, used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specified purposes. The primary sources of revenue are state highway fund revenues and charges for services.

Urban Renewal Fund - This Special Revenue fund accounts for and records the proceeds of specific revenues sources that are restricted to expenditure for project activities of the Urban Renewal Plan. Loan proceeds are used to construct or carry out these projects. Revenues raised under Section 1c, Article IX of the Oregon Constitution, and ORS Chapter 457 are pledged irrevocable to the retirement of indebtedness.

Road District Fund - This Special Revenue fund is used to account for property taxes and transactions related to road improvements.

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

Proprietary funds include the following fund types:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of

revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds are used to account for those activities and services furnished internally to other funds within the City on a cost reimbursement basis. Charges are made to the various funds to support these activities. This fund type is also used to account for activities provided to other entities.

Major enterprise funds include:

Water Fund - This fund is used to account for the activities of the water treatment and distribution system.

Sewer Fund - This fund is used to account for the activities of the wastewater conveyance and treatment system.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents. The City's cash and cash equivalents are cash on hand, demand deposits and investments in the Oregon State Treasury Local Government Investment Pool (LGIP).

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments are stated at amortized cost, which approximates fair value.

2. Receivables and Payables

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

Other receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph B above. Fines and permit revenue are not susceptible to accrual because generally they are not measurable until received in cash. An allowance for uncollectibles has been established for the water and sewer funds and represents the portion of receivables not expected to be collected.

3. Inventories

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

4. *Restricted Assets*

Certain resources are set aside for repayment of debt and are classified as restricted cash on the Statement of Net Position because their use is limited. Restricted assets are used to report resources legally restricted for system development improvements or capacity increasing capital improvements to the water and sewer system, for the purpose of making principal and interest payments on the bonds and notes payable, and other items required by third parties. For the fiscal year ending June 30, 2015 the City had \$510,338 in restricted assets.

5. *Capital Assets*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The City maintains a capitalization threshold of \$10,000 and an initial useful life of more than one reporting period. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest paid on construction financing is capitalized in the Proprietary funds and in the governmental activities in the Statements of Net Position.

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. For governmental activities these costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5-15 years
Buildings	50 years
Water and sewer systems	5-100 years
Streets	20 years
Other improvements	10-30 years

6. *Deferred Inflows/Outflows of Resources*

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

The City has one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis of accounting, *deferred amounts related to pensions*, is reported only on the Statement of Net Position, and represents benefits that apply to future periods and so will not be recognized until that time.

7. *Compensated Absences*

It is the City's policy to permit employees to accumulate paid leave benefits. The City does not offer sick leave as a separate benefit from the paid leave, and therefore, there is no separate liability. Employees are allowed to accrue paid leave time to a maximum of 480 hours. In proprietary funds, vested paid leave benefits are recognized as expenses when earned by the employee and unpaid benefits are liabilities of those funds. Governmental fund types recognize the expenditure when benefits are paid. Paid leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in the General Fund only if they have matured, for example, as the result of employee resignations and retirements.

The governmental funds typically used in prior years to liquidate the liability for compensated absences are any funds with payroll, which include the General Fund. Employees have the option to accumulate overtime as compensatory pay, which accrues at overtime rates, up to 80 hours.

8. *Long-term Obligations*

The City reports all long-term debt on the Statement of Net Position. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. *Operating Revenues and Expenses, Non-operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for sales of water and sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Non-operating revenues and expenses of the City are those revenues and expenses not directly related to the service provided by the fund. Non-operating revenues and expenses may include interest, grants, and gain or loss on disposition of capital assets.

10. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. *Fund Balance*

In accordance with GASB Statement No. 54, in the governmental fund financial statements fund balances are classified as follows:

Nonspendable—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 the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can only be used for specific purposes determined by a formal action by City Council ordinance or resolution. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned—Amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent should be expressed by the City Council, the budget committee, or a City official authorized by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Balance Sheet of Governmental Funds. As noted in Note 1 B, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the assignment has been changed by the City Manager. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers committed amounts reduced first, then assigned, then unassigned.

12. *Net Position*

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Government-wide and proprietary fund net position is divided into three components:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or law or regulations of other governments. The amount restricted at June 30, 2015 for donor or grantor stipulated purposes the amount was \$436,148.

Unrestricted net position – all other net position is reported in this category.

13. *Other Post Employment Benefit Costs*

Governmental Accounting Standards Board Statement No. 45 was effective for the City for the fiscal year ending June 30, 2010. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of Other Post Employment Benefit costs (expenses) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The City received notification from their actuarial firm that it has no liability under this standard; therefore the Statement is not applicable to the City's Statement of Net Position and the Statement of Activities.

14. *Net Pension Liability*

For the fiscal year ending June 30, 2015, Governmental Accounting Standards Board Statement No. 68 was effective for the City. The City participates in a cost-sharing plan to provide pension benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension liability. For the purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS), and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. The annual budget for proprietary funds is adopted on a basis not consistent with accounting principles generally accepted in the United States of America in order to comply with Oregon Local Budget Law. All annual appropriations lapse at fiscal year-end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control for the General Fund is by department. Total personnel services, materials and services, capital outlay, debt service, contingency and transfers are the levels of control for the remaining funds.

Original appropriations may be increased through resolutions by transferring amounts between appropriations in the same fund or by transferring from an appropriation in the general fund to an appropriation category in another fund. A supplemental budget is needed to increase appropriations under certain circumstances. Budget amounts are as originally adopted, or as amended by the City Council.

Management may reassign resources within functions without seeking approval of the City Council.

III. DETAILED NOTES

A. Deposits and Investments.

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2015. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. The Public Funds Collateralization Program is a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office. For the fiscal year ended June 30, 2015, the carrying amounts of the City's deposits in various financial institutions were \$375,667 and the bank balance was \$402,544. Of the bank balance, one hundred percent was insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's formal deposit policy for custodial credit risk is to deposit funds with qualified institutions. A qualified institution is defined by City policy as including approved security broker/dealers maintaining minimum net capital of \$10,000,000 and having a history of at least 10 years of operation. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule 15c3-1 net capital requirements for brokers or dealers.

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10 percent, 25 percent or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank. Deposits in the Public Funds Collateralization Pool are not 100% guaranteed.

Investments. The City of Waldport has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during fiscal year 2015. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 294. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015.

Credit Risk. Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establishes diversification percentages and specifies the types and maturities of investments.

State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has a formal investment policy that is in accordance with State statutes and further limits the liquidity and diversification of the City's investments.

Concentration of Credit Risk. The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund Board manages this risk by limiting the maturity of the investments held by the fund. The City's formal investment policy explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates by the following maturity constraints. Funds intended to be used to pay for current operations of the City may be invested with maturities not exceeding the dates of anticipated usage, but in no event longer than the limit established by ORS 294.135(1) (currently 18 months).

As of June 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	88%	\$ 1,179,690
Certificate of Deposit - 18 months	1-5 years	12%	165,000
Total investments			<u>\$ 1,344,690</u>

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position follows:

Carrying amounts of deposits	\$ 375,667
Petty Cash	150
Cash with County	8,790
Investments	<u>1,179,690</u>
Total	<u>\$ 1,564,297</u>

Balance Sheet

Governmental Funds:

General Fund	\$ 519,726
Street Fund	147,479
Urban Renewal Fund	200,661
Road District	<u>2,354</u>
	<u>870,220</u>

Proprietary Funds:

Water Fund (includes restricted cash of \$88,762)	192,398
Sewer Fund (includes restricted cash of \$112,204)	326,075
Public Works Fund	<u>175,604</u>
	<u>694,077</u>

Total	<u>\$ 1,564,297</u>
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B. Receivables

Receivables as of fiscal year end are as follows:

Governmental Activities:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Urban Renewal Fund</u>	<u>Road District Fund</u>	<u>Totals</u>
Accounts receivable	\$ 30,300	\$ 9,201	\$ -	\$ -	\$ 39,501
Property taxes	48,905	-	3,776	12,310	64,991
Total government receivables	<u>\$ 79,205</u>	<u>\$ 9,201</u>	<u>\$ 3,776</u>	<u>\$ 12,310</u>	<u>\$ 104,492</u>

	Water Fund	Sewer Fund	Totals
Accounts receivable	\$ 92,352	\$ 75,016	\$ 167,368
Assessments receivable	-	5,373	5,373
Less allowance for doubtful accounts	<u>(29,962)</u>	<u>(29,962)</u>	<u>(59,924)</u>
Net business-type accounts receivable	<u>\$ 62,390</u>	<u>\$ 50,427</u>	<u>\$ 112,817</u>

All non-current property taxes and special assessments receivable are treated as deferred inflows of resources in the governmental funds. Accounts receivable for the Business-type Funds are reported on the Statement of Net Position net of \$59,924 allowance for uncollectible. Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectible has been established for those accounts.

Property taxes are assessed as of January 1 and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Lincoln and remittance to the City is made at periodic intervals. For fiscal year 2014-15, the City imposed a property tax rate of \$2.3328 per \$1,000 of assessed value and a levy for bonded indebtedness of \$86,066.

Following is a summary of property tax transactions for the fiscal year ended June 30, 2015:

Lincoln County General and Debt Service:	Receivable 06/30/14	2014-2015 Net Levy	Collections and Adjustments	Receivable 06/30/15
2014-15	\$ -	\$ 562,554	\$ 542,059	\$ 20,495
2013-14	23,915	-	11,560	12,355
2012-13	13,755	-	4,842	8,913
2011-12	9,098	-	5,422	3,676
2010-11	3,341	-	1,655	1,686
2009-10	1,300	-	321	979
2008-09	266	-	136	130
2007-08	109	-	34	75
Prior Years	<u>737</u>	<u>-</u>	<u>141</u>	<u>596</u>
Total	<u>\$ 52,521</u>	<u>\$ 562,554</u>	<u>\$ 566,170</u>	48,905
Taxes receivable, current portion				<u>(4,500)</u>
Deferred taxes receivable				<u>\$ 44,405</u>

The City of Waldport's Urban Renewal Agency, a component unit, receives revenues under Section 1c, Article IX of the Oregon Constitution, and ORS Chapter 457. For fiscal year 2014-15, the Agency assessed \$50,551.

Following is a summary of Agency tax increment transactions for the fiscal year ended June 30, 2015:

Lincoln County Urban Renewal Agency:	Receivable 06/30/14	2014-2015 Net Levy	Collections and Adjustments	Receivable 06/30/15
2014-15	\$ -	\$ 50,551	\$ 48,709	\$ 1,842
2013-14	1,789	-	865	924
2012-13	873	-	308	565
2011-12	594	-	354	240
2010-11	241	-	120	121
2009-10	99	-	24	75
2008-09	18	-	9	9
Total	\$ 3,614	\$ 50,551	\$ 50,389	3,776
Taxes receivable, current portion				<u>(300)</u>
Deferred taxes receivable				<u>\$ 3,476</u>

The City of Waldport's Road District, a component unit, imposed a property tax rate of \$0.6960 per \$1,000 of assessed value.

Following is a summary of property tax transactions for the fiscal year ended June 30, 2015:

Lincoln County Road District:	Receivable 06/30/14	2014-2015 Net Levy	Collections and Adjustments	Receivable 06/30/15
2014-15	\$ -	\$ 142,182	\$ 137,002	\$ 5,180
2013-14	6,053	-	2,926	3,127
2012-13	3,480	-	1,225	2,255
2011-12	2,290	-	1,365	925
2010-11	815	-	404	411
2009-10	311	-	77	234
2008-09	63	-	32	31
2007-08	25	-	8	17
Prior Years	157	-	27	130
Total	\$ 13,194	\$ 142,182	\$ 143,066	12,310
Taxes receivable, current portion				<u>(1,100)</u>
Deferred taxes receivable				<u>\$ 11,210</u>

C. Deferred Inflows of Resources

The Governmental Funds Balance Sheet reports deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2015, the General Fund, Urban Renewal Fund and Road District Fund reported deferred inflows of resources for property taxes on the Balance Sheet of \$44,405, \$3,476 and \$11,210, respectively.

D. Capital Assets

Capital asset activity for the City for the fiscal year ended June 30, 2015 was as follows:

Governmental activities:	Balance 6/30/2014	Additions / Transfers	Deletions / Transfers	Balance 6/30/2015
<i><u>Nondepreciable capital assets</u></i>				
Land	\$ 205,694	\$ -	\$ -	\$ 205,694
Construction in progress	-	21,741	-	21,741
Total nondepreciable capital assets	205,694	21,741	-	227,435
<i><u>Depreciable capital assets</u></i>				
Buildings	1,019,334	-	(47,163)	972,171
Street and storm systems	2,528,264	47,163	-	2,575,427
Park system	408,714	-	-	408,714
Equipment	38,855	-	-	38,855
Total depreciable capital assets	3,995,167	47,163	(47,163)	3,995,167
<i><u>Less accumulated depreciation for</u></i>				
Buildings	(487,168)	(36,886)	-	(524,054)
Streets and storm systems	(757,728)	(102,815)	-	(860,543)
Park system	(130,214)	(27,144)	-	(157,358)
Equipment	(27,497)	(4,423)	-	(31,920)
Total accumulated depreciation	(1,402,607)	(171,268)	-	(1,573,875)
Net depreciable capital assets	2,592,560	(124,105)	(47,163)	2,421,292
Net governmental capital assets	\$ 2,798,254	\$ (102,364)	\$ (47,163)	\$ 2,648,727

Depreciation is allocated as a direct expense to the governmental programs as follows:

General government	\$ 11,268
Highways and streets	101,400
Culture and recreation	58,600
	<u>\$ 171,268</u>

Business-type Activities:	Balance 6/30/2014	Additions / Transfers	Deletions / Transfers	Balance 6/30/2015
<i>Nondepreciable capital assets</i>				
Land	\$ 106,221	\$ -	\$ -	\$ 106,221
Water rights	35,625	13,818	-	49,443
Construction in progress	297,019	35,124	(29,590)	302,553
Total nondepreciable capital assets	438,865	48,942	(29,590)	458,217
<i>Depreciable capital assets</i>				
Buildings	89,408	-	-	89,408
Utility systems	12,897,793	29,590	-	12,927,383
Equipment	419,340	-	-	419,340
Total depreciable capital assets	13,406,541	29,590	-	13,436,131
<i>Less accumulated depreciation for</i>				
Buildings	(36,402)	(1,788)	-	(38,190)
Utility systems	(3,877,801)	(214,876)	-	(4,092,677)
Equipment	(331,933)	(21,964)	-	(353,897)
Total accumulated depreciation	(4,246,136)	(238,628)	-	(4,484,764)
Net depreciable capital assets	9,160,405	(209,038)	-	8,951,367
Net business-type capital assets	\$ 9,599,270	\$ (160,096)	\$ (29,590)	\$ 9,409,584

F. Line of Credit

On July 7, 2014, the City borrowed \$100,000 from Umpqua Bank (line of credit) for Urban Renewal projects. The interest rate was 4.5%, with interest only due monthly. Repayment of the loan was funded by tax increment revenues. The note was paid off on December 5, 2014. The interest paid was \$627.

E. Long-Term Debt

Business-Type Activities:

Revenue Bonds. Revenue bonds are an obligation of the City payable from net income of the Sewer Fund. The Debt Reserve requirement is \$40,876 and the City was in compliance for the fiscal year 2014-2015. The future requirements for amortization of outstanding revenue bonds are as follows:

Issue of March 27, 2007
 Original amount: \$882,400
 Interest rate 4.125%
 Purpose: South sewer improvements

Fiscal Year	USDA #92-08 payable from Sewer Fund		
	Total	Principal	Interest
2015-16	\$ 45,418	\$ 15,789	\$ 29,629
2016-17	45,418	16,441	28,977
2017-18	45,418	17,119	28,299
2018-19	45,418	17,825	27,593
2019-20	45,418	18,560	26,858
2020-25	227,090	104,936	122,154
2025-30	227,090	128,440	98,650
2030-35	227,090	157,210	69,880
2035-40	227,090	192,421	34,669
2040-42	51,826	49,531	2,295
Total	<u>\$ 1,187,276</u>	718,272	<u>\$ 469,004</u>
Less current portion		<u>(15,789)</u>	
		<u>\$ 702,483</u>	

Notes Payable. The notes payable consist of a note payable to the Oregon Department of Environmental Quality (DEQ) from net income of the Sewer Fund, a note payable to the Oregon Business Development Department (OBDD) from the net revenues of the Water Fund, and a note payable to Umpqua Bank. The DEQ Sewer Fund and OBDD Water Fund notes require reserves of \$50,925 and \$22,160 respectively. The Umpqua Bank note requires collateral in the form of a certificate of deposit for \$165,000. The City was in compliance with the reserves and the collateral requirement for the year ending June 30, 2015.

The future requirements for amortization of the outstanding note balances are as follows:

Issue date: September 1, 2000
 Original amount: \$243,857
 Interest rate: 3.43%
 Purpose: Golf course pump station

<u>Fiscal Year</u>	<u>DEQ #94341B Payable from Sewer Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015-16	\$ 17,876	\$ 14,902	\$ 2,974
2016-17	17,800	15,417	2,383
2017-18	17,722	15,951	1,771
2018-19	17,641	16,503	1,138
2019-20	17,547	17,064	483
Total	\$ 88,586	79,837	\$ 8,749
Less current portion		(14,902)	
		\$ 64,935	

Issue date: September 30, 2003
 Original amount: \$519,900
 Interest rate: 1%
 Purpose: Water source improvements

<u>Fiscal Year</u>	<u>OBDD #S01008 Payable from Water Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015-16	\$ 20,145	\$ 16,842	\$ 3,303
2016-17	20,145	17,010	3,135
2017-18	20,145	17,180	2,965
2018-19	20,145	17,352	2,793
2019-20	20,145	17,526	2,619
2020-25	100,725	90,293	10,432
2025-30	100,725	94,898	5,827
2030-33	60,438	59,244	1,194
Total	\$ 362,613	330,345	\$ 32,268
Less current portion		(16,842)	
		\$ 313,503	

Issue date: January 15, 2013
 Original amount: \$165,000
 Interest rate: variable; 2.7% at June 30, 2015
 Purpose: Water reservoir rehabilitation

Fiscal Year	Umpqua #70011654 Payable from Water Fund		
	Total	Principal	Interest
2015-16	\$ 20,017	\$ 16,500	\$ 3,517
2016-17	19,785	16,500	3,285
2017-18	19,248	16,500	2,748
2018-19	18,872	16,500	2,372
2019-20	18,434	16,500	1,934
2020-23	44,808	42,625	2,183
Total	<u>\$ 141,164</u>	125,125	<u>\$ 16,039</u>
Less current portion		<u>(16,500)</u>	
		<u>\$ 108,625</u>	

The interest rate on this note is subject to change. The loan is associated with an 18-month certificate of deposit held by the lender until the loan has been paid in full. On the maturity date of the CD, the interest rate will change by the CD interest rate on that day plus an index of 2.55 percent. At June 30, 2015, the current CD rate is 0.15 percent plus the index rate, resulting in a rate of 2.7 percent per annum.

Governmental Activities:

Capital Leases: During the 2011-12 fiscal year, the City entered into a new copier lease. The amount of the lease was \$9,525 at 5.0% APR for a period of 63 months. The balance of this agreement at June 30, 2015 was \$3,140. The copier under lease at year-end had a cost of \$9,525, with accumulated depreciation of \$6,668 and a net book value of \$2,857.

The annual lease payment remaining for this capital lease is as follows:

Fiscal Year	Capital Lease Payable from General Fund		
	Total	Principal	Interest
2015-16	\$ 2,066	\$ 1,787	\$ 279
2016-17	1,378	1,353	25
Total	<u>\$ 3,444</u>	3,140	<u>\$ 304</u>
Less current portion		<u>(1,787)</u>	
		<u>\$ 1,353</u>	

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds may be issued for both general government and proprietary funds. Bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues, otherwise they are reported in the Governmental Activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The City of Waldport reports all its general obligation bonds as obligations of the Governmental Activities and they are payable from ad valorem taxes of the General Fund. The debt reserve requirement is \$86,060 and the City was in compliance for the fiscal year 2014-2015. The future requirements for amortization of outstanding bonds are as follows:

Issue date: July 29, 1994
 Original amount: \$1,583,300
 Interest rate: 4.5%
 Purpose: Sewer plant construction

Fiscal Year	USDA Payable from General Fund		
	Total	Principal	Interest
2015-16	\$ 86,053	\$ 35,704	\$ 50,349
2016-17	86,053	37,311	48,742
2017-18	86,053	38,989	47,064
2018-19	86,053	40,744	45,309
2019-20	86,053	42,578	43,475
2020-25	430,265	243,410	186,855
2025-30	430,265	303,334	126,931
2030-35	429,051	376,797	52,254
Total	<u>\$ 1,719,846</u>	1,118,867	<u>\$ 600,979</u>
Less current portion		<u>(35,704)</u>	
		<u>\$ 1,083,163</u>	

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2015:

	Balance 06/30/14	Additions	Reductions	Balance 06/30/15	Amount due within one year
Business-type Activities:					
Revenue bond - USDA	\$ 733,436	\$ -	\$ 15,164	\$ 718,272	\$ 15,789
Note payable - DEQ	94,241	-	14,404	79,837	14,902
Note payable - OBDD	347,020	-	16,675	330,345	16,842
Note payable - Umpqua	141,625	-	16,500	125,125	16,500
Total business-type activities	<u>1,316,322</u>	<u>-</u>	<u>62,743</u>	<u>1,253,579</u>	<u>64,033</u>
Governmental Activities:					
Capital lease	4,999	-	1,859	3,140	1,787
General obligation bonds	1,153,033	-	34,166	1,118,867	35,704
Total governmental activities	<u>1,158,032</u>	<u>-</u>	<u>36,025</u>	<u>1,122,007</u>	<u>37,491</u>
Total	<u>\$2,474,354</u>	<u>\$ -</u>	<u>\$ 98,768</u>	<u>\$2,375,586</u>	<u>\$ 101,524</u>

Changes in other liabilities. The following is a summary of changes in other liabilities during the fiscal year ended June 30, 2015:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	due within one year
Governmental Activities:					
Vacation payable	\$ 21,104	\$ 24,211	\$ 22,181	\$ 23,134	\$ 23,134
Business-type Activities:					
Vacation payable	\$ 40,851	\$ 34,021	\$ 41,551	\$ 33,321	\$ 33,321

F. Fund Balance

Under GASB Statement No. 54, in the governmental fund financial statements, fund balances are classified as follows:

Governmental Fund Balances

	General Fund	Street Fund	Urban Renewal Fund	Road District Fund	Total
Nonspendable:					
Inventory	\$ -	\$ 7,466	\$ -	\$ -	\$ 7,466
Restricted:					
Collateral	165,000	-	-	-	165,000
Debt service	94,947	-	30,892	-	125,839
Streets	-	153,438	-	-	153,438
Footpaths and bicycle trails	-	-	-	3,454	3,454
System development-parks	14,716	-	-	-	14,716
Urban renewal projects	-	-	170,069	-	170,069
Assigned:					
Economic development	36,720	-	-	-	36,720
Recreation	75,388	-	-	-	75,388
Unassigned:	147,164	-	-	-	147,164
	<u>\$ 533,935</u>	<u>\$ 160,904</u>	<u>\$ 200,961</u>	<u>\$ 3,454</u>	<u>\$ 899,254</u>

G. Restricted Net Position

Additionally, amounts are restricted due to their revenue source for streets, urban renewal construction and system development. Net position in these funds are classified as follows, all of which is restricted by enabling legislation:

	General Fund	Street Fund	Urban Renewal Fund	Road District Fund	Total
Net assets restricted for:					
Streets	\$ -	\$ 157,087	\$ -	\$ 3,454	\$ 160,541
Footpaths and bicycle trails	-	3,817	-	-	3,817
Urban renewal construction	-	-	170,069	-	170,069
System development-parks	14,716	-	-	-	14,716
	<u>\$ 14,716</u>	<u>\$ 160,904</u>	<u>\$ 170,069</u>	<u>\$ 3,454</u>	<u>\$ 349,143</u>

Business-type activities:

	Water	Sewer	Total
Net assets restricted for:			
System development	<u>\$ 66,602</u>	<u>\$ 20,403</u>	<u>\$ 87,005</u>

H. Interfund Transfers

	Transfer out	Transfer in
Governmental Activities:		
General Fund	\$ -	\$ 152,975
Street Fund	26,628	-
	<u>26,628</u>	<u>152,975</u>
Business-type Activities:		
Water Fund	74,409	-
Sewer Fund	51,938	-
	<u>126,347</u>	<u>-</u>
Total	<u>\$ 152,975</u>	<u>\$ 152,975</u>

The transfers from the Water, Sewer and Streets Funds are routine in nature and occur annually. These are transfers to the General Fund to support the administration of the City.

IV. OTHER INFORMATION

A. Contingent Liabilities

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

B. Commitments

At June 30, 2015, there were no contracts outstanding.

C. Defined Benefit Pension Plan

Public Employees Retirement System

Plan Description. The City of Waldport contributes to the Oregon Public Employees Retirement Fund (OPERF). The City is not a member of a State Local Government Rate Pool (SLGRP). Non-pooled employers, which include the City, participate in two plans. One is an agent multiple-employer pension plan for purposes of Tier 1/Tier 2 PERS pension liabilities. The other is a cost sharing plan for purposes of the Oregon Public Service Retirement Plan (OPSRP) pension liabilities. Both are administered by the State of Oregon Public Employees Retirement System (PERS).

Plan Benefits.

Tier One/Tier Two Retirement Benefit (Chapter 238):

Pension Benefits - The PERS retirement allowance may be selected from 13 retirement benefit options. These options include annuities, survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest) and employer funds equal to the account balance, provided certain conditions are met.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

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. Also, monthly benefits are adjusted annually through cost-of-living changes.

OPSRP Pension Program (ORS Chapter 238A):

Pension Benefits - The Pension Program provides benefits to members hired on or after August 29, 2003. OPSRP provides a life pension funded by employer contributions. Benefits are based upon the number of years of service and the final average salary.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Monthly benefits are adjusted annually through cost-of-living changes.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The City paid 7.59% for Tier 1 and Tier II employees and 2.84% for OPSRP members for the fiscal year.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2015 were \$74,989. This consisted of \$39,609 from the City and \$35,380 paid by the City on behalf of employees. These added to the City's fiduciary net position.

Pension Plan CAFR:

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

Actuarial methods and assumptions used in developing total pension liability:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study	2012, Published September 18, 2013
Amortization cost method	Entry Age Normal
Amortization method	Amortized as level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation	Market value of assets
Actuarial	
Inflation rate	2.75 Percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retirees rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent, the same as the prior year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range		High Range		Target	
Cash	0	%	3	%	0	%
Debt Securities	15		25		20	
Public Equity	32.5		42.5		37.5	
Private Equity	16		24		20	
Real Estate	9.5		15.5		12.5	
Alternative Equity	0		10		10	
Opportunity Portfolio	0		3		0	
Total					100	%

Long-Term Expected Rate of Return:

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.25%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate -Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation - Mean		2.75%

Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL/(A)]	6/30/2014
Actuarial Valuation Date (liability rolled forward to MD)	12/31/2012
Discount rate	7.75%
Employer's proportionate share at prior MD	0.00335815%
Employer's proportionate share at MD	0.00335815%
Employer's proportionate share of system NPL/(A) at prior MD	\$ 171,371
Employer's proportionate share of system NPL/(A) at MD	\$ (76,120)
Sensitivity: NPL/(A) using discount rate 1.00% lower	\$ 161,194
Sensitivity: NPL/(A) using discount rate 1.00% higher	\$ (276,831)

Employer Pension Expense for Measurement Period

Employer's proportionate share of system Pension Expense/(Income)	\$(69,876)
Net Amortization of deferred amounts from:	<u>1,200</u>
Changes in proportionate share	
Differences between employer contributions and employer's proportionate share of system contributions	
Employer's Total Pension Expense/(Income)	<u><u>\$(68,676)</u></u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on investments	-	146,880
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,519	N/A
Contributions subsequent to the MD	<u>74,989</u>	-
Total (prior to post-MD contributions)	<u>\$ 80,508</u>	<u>146,880</u>

Subsequent to the MD, the Oregon Supreme Court ruled that certain provisions of Senate Bill 861 which was signed into law in October 2013 were unconstitutional. The estimated effect for the City is an approximate \$241,230 change in the Net Pension Liability/(Asset) amount, going from (\$76,120) to \$165,110. It is not believed at this time that the City's percentage share will change because of this action.

There were no changes in the net pension liability due to change of assumptions or plan benefits from the prior MD

The \$74,989 reported as deferred outflow 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 20, 2015. 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 ended June 30

2016	\$ (35,520)
2017	(35,520)
2018	(35,520)
2019	(35,520)
2020	719
Thereafter	-

The assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2015.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Workers' compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year.

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

E. Prior Period Adjustment

During the 2014-2015 fiscal year, the City implemented GASB Statement No. 68. This statement improves financial accounting and reporting by local governments employers for pensions. Adoption of this statement required the City to restate the 2014-15 beginning net position of the governmental activities and the business-type activities. This restatement resulted in an increase in net position of \$66,233 in the governmental funds and an increase in net position in the business-type funds of \$90,897.

F. Subsequent Events

On June 11, 2015 the City council approved a resolution to enter into a contract for \$625,000 to purchase property for the purpose of relocating the public works shop, and to borrow \$500,000 from the State of Oregon Infrastructure Finance Authority. The City Council held a supplemental budget hearing on July 9, 2015 to approve the expenditure of \$125,000 from capital reserves and a proposed 2.23 percent increase in water and sewer base and usage charges to fund the debt service for the \$500,000 loan. The purchase transaction was completed August 21, 2015 and the loan finalized. The term of the loan is twenty-five years, with an interest rate of 3.51 percent. The payments are due annually, with the first due December 1, 2015.

The future requirements for amortization of the outstanding note balance is as follows:

Fiscal Year	IFA Payable from the Public Works Fund		
	Total	Principal	Interest
2015-16	\$ 30,370	\$ 25,349	\$ 5,021
2016-17	30,370	13,710	16,660
2017-18	30,370	14,191	16,179
2018-19	30,370	14,689	15,681
2019-20	30,370	15,205	15,165
2020-25	151,850	84,412	67,438
2025-30	151,850	100,304	51,546
2030-35	151,850	119,188	32,662
2035-40	123,176	112,952	10,224
Total	<u>\$ 730,576</u>	<u>500,000</u>	<u>\$ 230,576</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF WALDPOR, OREGON
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2014**

	2014
City's proportion of the net pension liability (asset)	0.00335815%
City's proportionate share of the net pension liability (asset)	\$ (76,120)
City's covered-employee payroll	\$ 655,695
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.61%
Plan fiduciary net position as a percentage of the total pension liability	103.60%

**SCHEDULE OF CONTRIBUTIONS
OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	2015
Contractually required contribution	\$ 74,989
Contributions in relation to the contractually required contribution	(74,989)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 659,905
Contributions as a percentage of covered-employee payroll	11.36%

MAJOR FUNDS

General Fund – This fund is used to account for and report resources and activities directly associated with carrying out the operations related to the City's basic objectives. This fund is used to account for and report all financial resources not accounted for and reported in another fund. The primary sources of revenue are property taxes and intergovernmental revenue. The General Fund also accounts for servicing of governmental long-term debt.

Special Revenue Funds

The special revenue funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specific purposes.

Street This fund is used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specified purposes. The primary sources of revenue are state highway fund revenues and charges for services. Expenditures are for street repairs and maintenance. The Waldport Road District, a separate taxing entity, contracts with the street fund for the purpose of carrying out street improvement projects.

Urban Renewal Fund - This Special Revenue fund accounts for and reports the proceeds of specific revenues sources that are restricted to expenditure for project activities of the Urban Renewal Plan. Loan proceeds are used to construct or carry out these projects. Revenues raised under Section 1c, Article IX of the Oregon Constitution, and ORS Chapter 457 are pledged irrevocably to the retirement of indebtedness.

Waldport Special Road District #3 - This Special Revenue fund is used to account for and report property taxes and transactions related to road improvements.

CITY OF WALDPOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 560,029	\$ 560,029	\$ 554,536	\$ (5,493)
Franchise and room taxes	129,600	129,600	150,426	20,826
Intergovernmental	54,000	54,000	57,383	3,383
Fees, licenses and charges for services	49,848	49,848	53,310	3,462
Interest earnings	2,000	2,000	1,980	(20)
Donations and grants	3,600	5,600	5,600	-
Total revenues	<u>799,077</u>	<u>801,077</u>	<u>823,235</u>	<u>22,158</u>
Expenditures:				
General government:				
Administration	393,865	393,865	373,303	20,562
Land use planning	63,313	63,313	60,990	2,323
Public safety	353,051	357,051	347,017	10,034
Debt service	86,053	86,053	86,053	-
Contingency	47,494	45,494	-	45,494
Total expenditures	<u>943,776</u>	<u>945,776</u>	<u>867,363</u>	<u>78,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(144,699)</u>	<u>(144,699)</u>	<u>(44,128)</u>	<u>100,571</u>
Other financing sources (uses):				
Transfer in	152,975	152,975	152,975	-
Transfer out	<u>(70,900)</u>	<u>(70,900)</u>	<u>(70,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>82,075</u>	<u>82,075</u>	<u>82,075</u>	<u>-</u>
Net change in fund balance	(62,624)	(62,624)	37,947	100,571
Fund balance at beginning of year	<u>356,000</u>	<u>356,000</u>	<u>369,164</u>	<u>13,164</u>
Fund balance at end of year	<u>\$ 293,376</u>	<u>\$ 293,376</u>	<u>\$ 407,111</u>	<u>\$ 113,735</u>

See auditor's report.

CITY OF WALDPORT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 115,000	\$ 115,000	\$ 116,268	\$ 1,268
Charges for services	144,000	144,000	139,000	(5,000)
Interest earnings	400	400	456	56
Total revenues	<u>259,400</u>	<u>259,400</u>	<u>255,724</u>	<u>(3,676)</u>
Expenditures:				
Highways and streets:				
Materials and services	224,800	224,800	190,249	34,551
Contingency	26,131	26,131	-	26,131
Total expenditures	<u>250,931</u>	<u>250,931</u>	<u>190,249</u>	<u>60,682</u>
Excess (deficiency) of revenues over (under) expenditures	8,469	8,469	65,475	57,006
Other financing sources (uses):				
Transfer out	(26,628)	(26,628)	(26,628)	-
Net change in fund balance	(18,159)	(18,159)	38,847	57,006
Fund balance at beginning of year	91,000	91,000	118,169	27,169
Fund balance at end of year	<u>\$ 72,841</u>	<u>\$ 72,841</u>	157,016	<u>\$ 84,175</u>
Reconciliation to generally accepted accounting principles basis:				
Adjust for change in inventory			<u>3,888</u>	
GAAP basis fund balance			<u>\$ 160,904</u>	

See auditor's report.

CITY OF WALDPOR
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
URBAN RENEWAL FUND
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Tax increment revenues	\$ 41,900	\$ 41,900	\$ 49,286	\$ 7,386
Interest earnings	600	600	1,078	478
Total revenues	<u>42,500</u>	<u>42,500</u>	<u>50,364</u>	<u>7,864</u>
Expenditures:				
General Government				
Materials and services	34,498	34,498	24,169	10,329
Debt service	103,000	103,000	100,627	2,373
Capital outlay	70,000	70,000	5,000	65,000
Contingency	94,602	94,602	-	94,602
Total expenditures	<u>302,100</u>	<u>302,100</u>	<u>129,796</u>	<u>172,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(259,600)</u>	<u>(259,600)</u>	<u>(79,432)</u>	<u>180,168</u>
Other financing sources (uses):				
Loan Proceeds	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	(159,600)	(159,600)	20,568	180,168
Fund balance at beginning of year	<u>181,000</u>	<u>181,000</u>	<u>180,393</u>	<u>(607)</u>
Fund balance at end of year	<u>\$ 21,400</u>	<u>\$ 21,400</u>	<u>200,961</u>	<u>\$ 179,561</u>

See auditor's report.

CITY OF WALDPORT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ROAD DISTRICT FUND
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 142,100	\$ 142,100	\$ 140,098	\$ (2,002)
Interest earnings	100	100	103	3
Total revenues	<u>142,200</u>	<u>142,200</u>	<u>140,201</u>	<u>(1,999)</u>
Expenditures:				
Highway and streets:				
Materials and services	<u>144,300</u>	<u>144,300</u>	<u>139,435</u>	<u>4,865</u>
Net change in fund balance	(2,100)	(2,100)	766	2,866
Fund balance at beginning of year	<u>2,100</u>	<u>2,100</u>	<u>2,688</u>	<u>588</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,454</u></u>	<u><u>\$ 3,454</u></u>

See auditor's report.

SUPPLEMENTARY INFORMATION

BUDGETARY FUND

The City includes the fund listed in its annual budget. This fund is combined with the General Fund for purposes of presentation under generally accepted governmental accounting standards.

Community Fund - This budgetary fund is used to account for and report the proceeds of specific revenue sources that are restricted or assigned to expenditure for specified purposes. The primary sources of revenue are from Lincoln County Library District, charges for services, and General Fund Transfers. The fund accounts for library services, parks and recreation, the community center and economic development.

CITY OF WALDPOR
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY FUND
For the Fiscal Year Ended June 30, 2015

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 18,400	\$ 18,400	\$ 18,553	\$ 153
Intergovernmental revenue	159,229	159,229	159,229	-
Donations and grants	61,300	61,300	19,161	(42,139)
Total revenues	<u>238,929</u>	<u>238,929</u>	<u>196,943</u>	<u>(41,986)</u>
Expenditures:				
Personnel services	150,697	150,697	141,709	8,988
Materials and services	163,200	173,200	113,634	59,566
Capital outlay	20,000	20,000	16,741	3,259
Contingency	38,232	38,232	-	38,232
Total expenditures	<u>372,129</u>	<u>382,129</u>	<u>272,084</u>	<u>110,045</u>
Excess (deficiency) of revenues over (under) expenditures	(133,200)	(143,200)	(75,141)	68,059
Other financing sources (uses):				
Transfer in	70,900	70,900	70,900	-
Net change in fund balance	(62,300)	(72,300)	(4,241)	68,059
Fund balance at beginning of year	<u>124,600</u>	<u>134,600</u>	<u>131,065</u>	<u>(3,535)</u>
Fund balance at end of year	<u>\$ 62,300</u>	<u>\$ 62,300</u>	<u>\$ 126,824</u>	<u>\$ 64,524</u>

See auditor's report.

CITY OF WALDPORT
COMBINING SCHEDULE (GENERAL FUND AND COMMUNITY FUND)
FOR GAAP BASIS PRESENTATION*
June 30, 2015

	General	Community	Total
ASSETS			
Cash and cash equivalents	\$ 221,923	\$ 132,803	\$ 354,726
Investments	165,000	-	165,000
Receivables (net)			
Accounts receivable	30,300	-	30,300
Property taxes	48,905	-	48,905
Total assets	\$ 466,128	\$ 132,803	\$ 598,931
LIABILITIES			
Accounts payable	\$ 5,452	\$ 4,664	\$ 10,116
Unearned revenues	9,160	1,315	10,475
Total liabilities	14,612	5,979	20,591
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	44,405	-	44,405
FUND BALANCES			
Restricted	259,947	14,716	274,663
Assigned	-	112,108	112,108
Unassigned	147,164	-	147,164
Total fund balances	407,111	126,824	533,935
Total liabilities, deferred inflows and fund balances	\$ 466,128	\$ 132,803	\$ 598,931

*The Community Fund does not meet the criteria for a Special Revenue Fund under Governmental Accounting Standards Board Statement #54 as it does not have a specific, outside revenue stream. However, it meets the criteria of a Special Revenue Fund under Oregon Budget Law. Therefore, for GAAP presentation purposes, the Community Fund is combined with the General fund, due to the budgetary perspective difference.

CITY OF WALDPORT
COMBINING SCHEDULE (GENERAL FUND AND COMMUNITY FUND)
FOR GAAP BASIS PRESENTATION*
For the Fiscal Year Ended June 30, 2015

	<u>General</u>	<u>Community</u>	<u>Total</u>
Revenues:			
Property taxes	\$ 554,536	\$ -	\$ 554,536
Franchise and room taxes	150,426	-	150,426
Intergovernmental	57,383	159,229	216,612
Fees, licenses and charges for services	53,310	18,553	71,863
Interest earnings	1,980	-	1,980
Donations and grants	5,600	19,161	24,761
	<u>823,235</u>	<u>196,943</u>	<u>1,020,178</u>
Total revenues			
Expenditures:			
Current:			
General government	434,293	-	434,293
Public safety	347,017	-	347,017
Culture and recreation	-	246,769	246,769
Economic development	-	8,574	8,574
Capital outlay	-	16,741	16,741
Debt service	86,053	-	86,053
	<u>867,363</u>	<u>272,084</u>	<u>1,139,447</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(44,128)</u>	<u>(75,141)</u>	<u>(119,269)</u>
Other financing sources (uses):			
Transfer in (out)	<u>82,075</u>	<u>70,900</u>	<u>152,975</u>
Net change in fund balances	37,947	(4,241)	33,706
Fund balances at beginning of year	<u>369,164</u>	<u>131,065</u>	<u>500,229</u>
Fund balances at end of year	<u>\$ 407,111</u>	<u>\$ 126,824</u>	<u>\$ 533,935</u>

*The Community Fund does not meet the criteria for a Special Revenue Fund under Governmental Accounting Standards Board Statement #54 as it does not have a specific, outside revenue stream. However, it meets the criteria of a Special Revenue Fund under Oregon Budget Law. Therefore, for GAAP presentation purposes, the Community Fund is combined with the General Fund, due to the budgetary perspective difference.

PROPRIETARY FUNDS

Proprietary Funds are used to account for and report operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City's council has decided that periodic determination of net income is appropriate for accountability purposes.

Water - This fund is used to account for and report the activities of the water operations. The primary source of revenue is charges for services.

Sewer - This fund is used to account for and report the activities of the sewer operations. The primary source of revenue is charges for services.

Public Works Internal Service Fund - This fund accounts for and reports services provided to other funds and outside entities. It serves as a centralized pool of labor, materials, equipment and vehicles to provide these services. The primary source of revenue is charges for services.

CITY OF WALDPOR
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)
WATER FUND
For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services	\$ 595,604	\$ 589,854	\$ (5,750)
Total operating revenues	<u>595,604</u>	<u>589,854</u>	<u>(5,750)</u>
Operating expenses:			
Materials and services	424,900	384,080	40,820
Capital outlay	62,000	48,942	13,058
Contingency	48,375	-	48,375
Total operating expenses	<u>535,275</u>	<u>433,022</u>	<u>102,253</u>
Operating income (loss)	<u>60,329</u>	<u>156,832</u>	<u>96,503</u>
Nonoperating revenue (expenses):			
Interest earnings	1,000	681	(319)
Sale of real property	-	1,000	1,000
Debt service	(40,332)	(40,322)	10
Total nonoperating revenue (expenses)	<u>(39,332)</u>	<u>(38,641)</u>	<u>691</u>
Income (loss) before transfers	20,997	118,191	97,194
Transfers out	<u>(74,409)</u>	<u>(74,409)</u>	<u>-</u>
Change in net position	(53,412)	43,782	97,194
Net working capital at beginning of year	<u>202,200</u>	<u>204,734</u>	<u>2,534</u>
Net working capital at end of year	<u>\$ 148,788</u>	<u>248,516</u>	<u>\$ 99,728</u>
Reconciliation to generally accepted accounting principles basis			
Change in receivable		(841)	
Change in inventory		5,022	
Change in accrued interest payable		116	
Change in current portion of long-term debt		(167)	
GAAP basis net working capital		<u>\$ 252,646</u>	

See auditor's report.

CITY OF WALDPOR
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)
SEWER FUND
For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services	\$ 580,262	\$ 583,698	\$ 3,436
Operating expenses:			
Materials and services	442,800	402,661	40,139
Capital outlay	65,000	-	65,000
Contingency	55,370	-	55,370
Total operating expenses	<u>563,170</u>	<u>402,661</u>	<u>160,509</u>
Operating income (loss)	<u>17,092</u>	<u>181,037</u>	<u>163,945</u>
Nonoperating revenue (expenses):			
Interest earnings	1,000	1,067	67
Debt service	<u>(63,368)</u>	<u>(63,368)</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>(62,368)</u>	<u>(62,301)</u>	<u>67</u>
Income (loss) before transfers and contributions	<u>(45,276)</u>	<u>118,736</u>	<u>164,012</u>
Transfers out	<u>(51,938)</u>	<u>(51,938)</u>	<u>-</u>
Change in net position	(97,214)	66,798	164,012
Net working capital at beginning of year	<u>252,500</u>	<u>277,289</u>	<u>24,789</u>
Net working capital at end of year	<u>\$ 155,286</u>	<u>344,087</u>	<u>\$ 188,801</u>
Reconciliation to generally accepted accounting principles basis			
Change in receivable		(922)	
Change in inventory		(906)	
Change in accrued interest payable		346	
Change in current portion of long-term debt		<u>(1,123)</u>	
GAAP basis net working capital		<u>\$ 341,482</u>	

See auditor's report.

CITY OF WALDPORT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)
PUBLIC WORKS INTERNAL SERVICE FUND
For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services	\$ 850,000	\$ 742,684	\$ (107,316)
Total operating revenues	<u>850,000</u>	<u>742,684</u>	<u>(107,316)</u>
Operating expenses:			
Personnel services	747,629	681,146	66,483
Materials and services	74,000	60,271	13,729
Contingency	38,489	-	38,489
Total operating expenses	<u>860,118</u>	<u>741,417</u>	<u>118,701</u>
Operating income (loss)	(10,118)	1,267	11,385
Nonoperating revenue (expenses):			
Interest earnings	700	862	162
Total nonoperating revenue (expenses)	<u>700</u>	<u>862</u>	<u>162</u>
Change in net position	(9,418)	2,129	11,547
Net working capital at beginning of year	<u>157,000</u>	<u>126,659</u>	<u>(30,341)</u>
Net working capital at end of year	<u>\$ 147,582</u>	128,788	<u>\$ (18,794)</u>
Reconciliation to generally accepted accounting principles basis			
Change in accrued compensation payable		<u>7,530</u>	
GAAP basis net working capital		<u>\$ 136,318</u>	

See auditor's report.

ACCOMPANYING INFORMATION



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

September 10, 2015

To the City Council
City of Waldport, Oregon:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Waldport, Oregon as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Waldport'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 over financial reporting. 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 City'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.

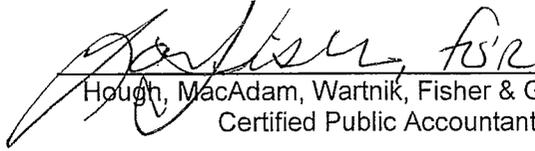
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waldport'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 City'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.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

September 10, 2015

To the City Council
City of Waldport, Oregon:

We have audited the basic financial statements of the City of Waldport ("the City") as of and for the year ended June 30, 2015 and have issued our report thereon dated September 10, 2015. 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 and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320, as set forth below, 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.

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:

The use of approved depositories to secure the deposit of public funds (ORS Chapter 295).

The requirements relating to debt.

The requirements relating to the preparation, adoption and execution of annual budgets (ORS Chapter 294).

The requirements relating to insurance and fidelity bond coverage.

The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.

The statutory requirements pertaining to the investment of public funds (ORS Chapter 294).

The requirements pertaining to the awarding of public contracts and the construction of public improvements (ORS Chapters 279A, 279B, 279C).

The statutory requirements related to the use of revenue from taxes on motor vehicle fuel funds.

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

OAR 162-10-230 Internal Control

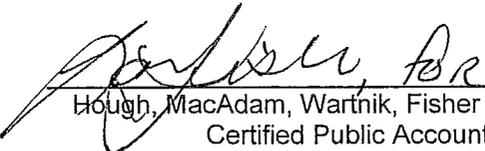
In planning and performing our audit, we considered the City of Waldport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. 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 City'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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

This report is intended solely for the information and use of the City council and management of the City of Waldport and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants