ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF WALDPORT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	Page
CITY OFFICIALS	1
FINANCIAL SECTION:	
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to the Basic Financial Statements	18 - 44
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of Net Pension Liability	45
Major Funds:	46
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	47
Street Fund	48

Urban Renewal Fund 49

Urban Renewal Debt Service Fund 50

Road District Fund 51

SUPPLEMENTARY INFORMATION:

Budgetary Fund: 52

Community Fund 53

Combining Balance Sheet (General Fund and Community Service Fund) 54

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance (General Fund and Community Fund) 55

Proprietary Funds: 56

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Non-GAAP budgetary basis)

Water Fund 57

Sewer Fund 58

Public Works Internal Service Fund 59

ACCOMPANYING INFORMATION:

Auditor's Reports:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters – *Government Auditing Standards* 60 - 61

Independent Auditor's Report Required by Oregon State Regulations 62 - 63

CITY OFFICIALS

CITY OF WALDPORT

CITY OFFICIALS

June 30, 2016

Mayor and City Council

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

Mark Campbell
1680 Crestline Drive
Waldport, Oregon 97394

Jack Christenson
940 Skyline 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

Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
CERTIFIED PUBLIC ACCOUNTANTS

JIM HOUGH, CPA
SHIRLEY MacADAM, CPA
JAYSON WARTNIK, CPA
LAURA FISHER, CPA
BOB GORMAN, CPA
BRIAN BRAS, CPA
JOE COLO, CPA
SALLY JAEGGLI, CPA
TINA JONES, CPA
BRYAN WILLIAMS, CPA

INDEPENDENT AUDITOR'S REPORT

September 6, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United 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, 2016, 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.

3690 BROADWAY • NORTH BEND, OREGON 97459 • TELEPHONE (541) 269-9338 • 1-800-218-5063 • FAX (541) 267-0536

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 6, 2016, 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 6, 2016, 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 WALDPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

This management's discussion and analysis provides an overview of financial activities and financial position for the City of Waldport for fiscal year ending June 30, 2016. 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 $11.3 million (net position) as of June 30, 2016. Of this amount, $9.7 million is invested in capital assets, net of related debt.

- Total revenues for fiscal year ending 2016 increased $243,635 over the previous year. The total expenses for programs and services increased $738,469 and includes an actuarially estimated pension expense of $456,178 beyond the amounts contributed to PERS.

- The city's net position decreased $375,340 or 3% during the 2015/2016 fiscal year. In April 2015, the Oregon Supreme Court, in the case of Moro v. State of Oregon, held that most of the changes to PERS cost-of-living adjustments made by the 2013 legislature (Senate Bills 822 and 861) unconstitutionally impaired PERS members' contract rights. Actuarially estimated pension expenses of $456,178 beyond Waldport's employer rate contributions are attributed to the court challenge that reversed legislative changes.

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	
	2015	2016	2015	2016	2015	2016
Assets:						
Cash and investments	$ 870,220	$ 895,747	$ 694,077	$ 643,775	$ 1,564,297	$ 1,539,522
Other assets	111,958	169,869	155,729	171,349	267,687	341,218
Capital assets	2,648,727	2,573,337	9,409,584	9,839,353	12,058,311	12,412,690
Net pension asset	164,905	-	202,262	-	367,167	-
Total assets	$ 3,795,810	$ 3,638,953	$ 10,461,652	$ 10,654,477	$ 14,257,462	$ 14,293,430
Deferred outflow related to pensions	$ 39,111	$ 25,012	$ 41,397	$ 26,915	$ 80,508	$ 51,927
Liabilities:						
Current liabilities	130,618	146,723	119,360	118,161	249,978	264,884
Long term debt outstanding	1,084,516	1,045,852	1,189,546	1,535,601	2,274,062	2,581,453
Net pension liability	-	79,163	-	85,185	-	164,348
Total liabilities	$ 1,215,134	$ 1,271,738	$ 1,308,906	$ 1,738,947	$ 2,524,040	$ 3,010,685
Deferred inflow related to pensions	$ 72,050	$ 20,694	$ 74,830	$ 22,268	$ 146,880	$ 42,962
Net position:						
Net investment in capital assets	1,526,720	1,488,821	8,156,005	8,240,091	9,682,725	9,728,912
Restricted	349,143	445,939	87,005	94,551	436,148	540,490
Unrestricted	671,874	436,773	876,303	585,535	1,548,177	1,022,308
Total net position	$ 2,547,737	$ 2,371,533	$ 9,119,313	$ 8,920,177	$ 11,667,050	$ 11,291,710

As of June 30, 2016, the city had $12.4 million invested in a broad range of capital assets, including water, wastewater, and street utility systems. Additions to capital assets included a new public works facility and an industrial area feasibility study. More detailed information about the city's capital assets is presented in the notes to the financial statements.

The city's fiscal year 2016/2017 budget has appropriated $904,180 for capital outlays, which includes upgrades to the water plant, Eckman Creek flood repairs, an Industrial Area Master Plan, an upgrade to the wastewater plant, and engineering for pedestrian improvements along the seawall section of US 101.

As of June 30, 2016, the city owed $2.7 million of principal debt. An Oregon Business Development borrowing of $74,000 and a short term urban renewal borrowing of $120,000 are planned for the upcoming year (2016/2017). Detailed information about the city's long term debt is presented in the notes to the financial statements.

The assets of the city exceeded its liabilities by $11.3 million (net position) as of June 30, 2016. Of this amount, $9.7 million is invested in capital assets, net of related debt. 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 $9.1 million, which are primarily invested in capital assets.

City of Waldport

Statement of Activities

	Governmental Activities		Business Type Activities		City as a Whole	
	2015	2016	2015	2016	2015	2016
Program Revenues:						
Charges for services	$ 58,115	$ 53,823	$ 1,172,737	$ 1,255,954	$ 1,230,852	$ 1,309,777
Grants and contributions	24,761	107,576	-	6,332	24,761	113,908
General Revenues:						
Taxes	890,408	911,843	-	-	890,408	911,843
Intergovernmental	332,880	361,531	-	-	332,880	361,531
Gain on sale of capital assets	-	-	1,000	25,000	1,000	25,000
Interest	3,617	4,879	2,610	2,825	6,227	7,704
Total Revenues	1,309,781	1,439,652	1,176,347	1,290,111	2,486,128	2,729,763
Expenses:						
General government	401,854	598,268	-	-	401,854	598,268
Public safety	347,017	362,801	-	-	347,017	362,801
Streets, storm water	288,196	318,906	-	-	288,196	318,906
Culture, recreation	283,514	387,383	-	-	283,514	387,383
Economic development	18,995	33,989	-	-	18,995	33,989
Interest on debt	51,101	48,876	-	-	51,101	48,876
Water	-	-	432,266	650,812	432,266	650,812
Sewer	-	-	543,691	704,068	543,691	704,068
Total Expenses	1,390,677	1,750,223	975,957	1,354,880	2,366,634	3,105,103
Excess (deficiency) before transfers	(80,896)	(310,571)	200,390	(64,769)	119,494	(375,340)
Contributed capital	-	-	-	-	-	-
Transfers in (out)	126,347	134,367	(126,347)	(134,367)	-	-
Changes in net position	45,451	(176,204)	74,043	(199,136)	119,494	(375,340)
Net position at beginning of year	2,436,053	2,547,737	8,954,373	9,119,313	11,390,426	11,667,050
*Prior period adjustment	66,233	-	90,897	-	157,130	-
Net position at end of year	$ 2,547,737	$ 2,371,533	$ 9,119,313	$ 8,920,177	$ 11,667,050	$ 11,291,710

*Due to implementation of GASB 68, the FYE 2015 beginning net position was improved.

Governmental Accounting Standards Board Statement No. 68 (GASB 68), effective FYE 2015, established new accounting and financial reporting requirements and changed how employers measure pension expense and report pension liabilities on financial reports. Previously, pension expense only included the contributions paid to Oregon Public Employees Retirement System (PERS). Under GASB 68 financial reports show pension expense as the change in Net Pension Liability, the excess of the actuarial accrued liability over the actuarial value of assets.

The city's net position decreased $375,340 or 3% during the 2015/2016 fiscal year. In April 2015, the Oregon Supreme Court, in the case of Moro v. State of Oregon, held that most of the changes to PERS cost-of-living adjustments made by the 2013 legislature (Senate Bills 822 and 861) unconstitutionally impaired PERS members' contract rights. Actuarially estimated pension expenses of $456,178 beyond employer rate contributions are attributed to the court challenge that reversed legislative changes. More detailed information about the defined benefit pension plan is presented in the notes to the financial statements.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

At the end of the fiscal year, fund balances for all governmental funds totaled $966,604, an increase of 7% over the previous year.

General fund taxes increased $7,253 from the previous year and included a decrease of $6,603 in property tax revenues, and increase of $4,314 for franchise taxes and an additional $9,542 for transient room taxes.

Intergovernmental revenue from Lincoln County Library District increased $21,209 from the previous year due to library circulation. Grant proceeds and contributions increased $82,815 from the previous year and included IFA grant proceeds of $59,112 for the Industrial Park Study, $13,187 from Oregon State Parks for park and trail improvements, and $10,000 from the Ford Family Foundation for the mosaic planter project and open space charrette.

Administration personnel services increased $12,924 from the previous year for salary increases and a half time person for 3 months. Sheriff contract services were $14,056 higher than the previous year due to personnel and motor pool expenses. Economic development expenditures increased for community development services.

Street fund gas taxes received from the state increased $8,203 and street fund expenditures increased $28,212 from the previous year, primarily for public works services and street repairs to Range Drive.

Road District property taxes were slightly less than the previous year and Urban Renewal tax increment increased $4,992 or 10% from the previous year.

Public works internal service charges increased for personnel services and debt payments associated with the new facility in the industrial park. Public works sold the 1996 John Deere excavator for $25,000.

Water billings were 7% higher and sewer billings were 6% higher than the previous year. Water and sewer rates increased 3% effective July 2015 and then 2.23% in August 2015 to support debt service for the new public works property. Both number of services and usage increased slightly.

Water fund's materials and services increased for public works services at the water treatment plant for certifications of additional water plant operators and for public works distribution services. Distribution services and distribution repair materials were a direct response to an increase in unexpected emergency water repairs this year and included the temporary repair for Eckman Creek waterline.

Sewer fund's materials and services increased for public works services at the sewer treatment plant and plant equipment, which included a new dissolved oxygen sensor, mower for the grounds, and replacing the programmable logic controller. Pump station repairs and maintenance decreased from the previous year. Sewer fund paid off the 2000 DEQ loan for the pump station at the golf course.

BUDGETARY CHANGES

Several changes were made during the fiscal year to adjust the city's originally adopted budget. Total appropriations increased by $935,865 and included the purchase of a new public works facility, funded with loan proceeds and reserves, parks and recreation projects and the industrial area feasibility study, funded with grant proceeds, 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 2,075 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 $207 million for year ending June 30, 2016, 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 able to implement plans and necessary infrastructure to meet the needs of future years as well as respond to immediate issues. The city remains conservative and efficient in our provision of those basic services that we provide the community.

The city is fortunate that we 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 WALDPORT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 529,209	$ 481,646	$ 1,010,855
Receivables:			
Accounts (net)	89,033	119,106	208,139
Property taxes	71,960	-	71,960
Special assessments	-	5,010	5,010
Cash and cash equivalents - restricted	201,538	162,129	363,667
Investments - restricted	165,000	-	165,000
Inventories	8,876	47,233	56,109
Capital assets:			
Nondepreciable capital assets	205,694	332,522	538,216
Construction in process	83,144	326,451	409,595
Depreciable assets, net of depreciation	2,284,499	9,180,380	11,464,879
Deferred outflows of resources:			
Deferred amounts related to pensions	25,012	26,915	51,927
Total assets	3,663,965	10,681,392	14,345,357
LIABILITIES			
Accounts payable	13,940	5,062	19,002
Prepaid business licenses	19,012	-	19,012
Compensated absences payable	30,424	30,525	60,949
Accrued interest payable	44,683	18,913	63,596
Current portion of capital lease payable	1,353	-	1,353
Current portion of general obligation bonds payable	37,311	-	37,311
Current portion of revenue bond payable	-	16,441	16,441
Current portion of notes payable	-	47,220	47,220
Total current liabilities	146,723	118,161	264,884
Long-term liabilities			
General obligation bonds payable (net of current portion)	1,045,852	-	1,045,852
Revenue bond payable (net of current portion)	-	686,042	686,042
Notes payable (net of current portion)	-	849,559	849,559
Net pension liability	79,163	85,185	164,348
Total long-term liabilities	1,125,015	1,620,786	2,745,801
Total liabilities	1,271,738	1,738,947	3,010,685
Deferred inflows of resources:			
Deferred amounts related to pensions	20,694	22,268	42,962
NET POSITION			
Net investment in capital assets	1,488,821	8,240,091	9,728,912
Restricted for:			
Streets	174,159	-	174,159
Footpaths and bicycle trails	5,062	-	5,062
System development	18,174	94,551	112,725
Urban renewal construction	248,544	-	248,544
Unrestricted	436,773	585,535	1,022,308
Total net position	$ 2,371,533	$ 8,920,177	$ 11,291,710

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

CITY OF WALDPORT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services & Contracts	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Total Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Total Business Type Activities	Net (Expenses) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 598,268	$ 14,765	$ 1,000	$ -	$ (582,503)	$ -	$ (582,503)
Public safety	362,801	13,958	2,500	-	(346,343)	-	(346,343)
Highways and streets	318,906	-	-	-	(318,906)	-	(318,906)
Culture and recreation	381,717	19,434	22,822	8,187	(331,274)	-	(331,274)
Economic development	33,989	-	6,715	66,352	39,078	-	39,078
Interest expense	48,876	-	-	-	(48,876)	-	(48,876)
Total governmental activities	1,744,557	48,157	33,037	74,539	(1,588,824)	-	(1,588,824)
Business-type activities:							
Water	650,812	636,084	6,332	-	-	(8,396)	(8,396)
Sewer	704,068	619,870	-	-	-	(84,198)	(84,198)
Total business-type activities	1,354,880	1,255,954	6,332	-	-	(92,594)	(92,594)
Total government	$ 3,099,437	$ 1,304,111	$ 39,369	$ 74,539	(1,588,824)	(92,594)	(1,681,418)
	General revenues:						
	Taxes:						
	Property taxes, levied for general purposes				514,279	-	514,279
	Property taxes, levied for dedicated purposes				233,282	-	233,282
	Intergovernmental aid not restricted to specific purposes				56,621	-	56,621
	Intergovernmental aid restricted to specific purposes				304,910	-	304,910
	Franchise and room taxes				164,282	-	164,282
	Gain (Loss) on disposition of capital assets				-	25,000	25,000
	Interest and investment earnings				4,879	2,825	7,704
	Total General Revenues				1,278,253	27,825	1,306,078
	Other						
	Transfer in (out)				134,367	(134,367)	-
	Changes in net position				(176,204)	(199,136)	(375,340)
	Net position - beginning of year				2,547,737	9,119,313	11,667,050
	Net position - end of year				$ 2,371,533	$ 8,920,177	$ 11,291,710

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

CITY OF WALDPORT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Street	Urban Renewal	Urban Renewal Debt Service	Road District	Total
ASSETS						
Cash and cash equivalents	$ 324,458	$ 156,724	$ 162,962	$ 85,182	$ 1,421	$ 730,747
Investments	165,000	-	-	-	-	165,000
Receivables (net)						
Accounts receivable	77,933	11,100	-	-	-	89,033
Property taxes	53,767	-		4,651	13,542	71,960
Inventory	-	8,876	-	-	-	8,876
Total assets	$ 621,158	$ 176,700	$ 162,962	$ 89,833	$ 14,963	$ 1,065,616
LIABILITIES						
Accounts payable	$ 13,940	$ -	$ -	$ -	$ -	$ 13,940
Unearned revenues	19,012	-	-	-	-	19,012
Total liabilities	32,952	-	-	-	-	32,952
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	49,367	-	-	4,251	12,442	66,060
FUND BALANCES						
Nonspendable	-	8,876	-	-	-	8,876
Restricted	276,294	167,824	162,962	85,582	2,521	695,183
Assigned	130,356	-	-	-	-	130,356
Unassigned	132,189	-	-	-	-	132,189
Total fund balances	538,839	176,700	162,962	85,582	2,521	966,604
Total liabilities and fund balances	$ 621,158	$ 176,700	$ 162,962	$ 89,833	$ 14,963	$ 1,065,616

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

CITY OF WALDPORT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total fund balances - governmental funds		$ 966,604
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	$ 2,573,337	
Net pension liability	(79,163)	
Deferred outflows of resources related to pensions	25,012	
		2,519,186
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		66,060
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	(30,424)	
Deferred inflows of resources related to pensions	(20,694)	
Accrued interest payable on note payable	(44,683)	
Bond payable	(1,083,163)	
Capital lease payable	(1,353)	
		(1,180,317)
Total net position - governmental activities		$ 2,371,533

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

CITY OF WALDPORT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General	Street	Urban Renewal	Urban Renewal Debt Service	Road District	Total
Revenues:						
Property taxes	$ 547,931	$ -	$ -	$ 54,278	$ 138,383	$ 740,592
Franchise and room taxes	164,282	-	-	-	-	164,282
Intergovernmental	237,060	124,471	-	-	-	361,531
Fees, licenses and charges for services	61,591	139,000	-		-	200,591
Interest earnings	2,603	643	1,082	412	139	4,879
Donations and grants	107,576	-	-	-	-	107,576
Total revenues	1,121,043	264,114	1,082	54,690	138,522	1,579,451
Expenditures:						
Current:						
General government	445,176	-	-	-	-	445,176
Public safety	362,801	-	-	-	-	362,801
Highways and streets	-	217,051	-	-	139,455	356,506
Culture and recreation	261,773	-	-	-	-	261,773
Economic development	33,567	-	8,189	-	-	41,756
Capital outlay	92,403	-	-	-	-	92,403
Debt service	86,053	-	-	-	-	86,053
Total expenditures	1,281,773	217,051	8,189	-	139,455	1,646,468
Excess (deficiency) of revenues over (under) expenditures	(160,730)	47,063	(7,107)	54,690	(933)	(67,017)
Other financing sources (uses):						
Transfer in (out)	165,634	(31,267)	(30,892)	30,892	-	134,367
Net change in fund balances	4,904	15,796	(37,999)	85,582	(933)	67,350
Fund balances at beginning of year	533,935	160,904	200,961	-	3,454	899,254
Fund balances at end of year	$ 538,839	$ 176,700	$ 162,962	$ 85,582	$ 2,521	$ 966,604

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

CITY OF WALDPORT
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, 2016

Total net change in fund balances - governmental funds		$ 67,350
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		6,969
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	$ 92,403	
Depreciation and dispositions	(167,793)	
		(75,390)
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	(7,290)	
Changes in accrued interest payable	1,477	
		(5,813)
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.		(206,811)
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:		
Repayment of debt	37,491	
		37,491
Change in net position of governmental activities		$ (176,204)

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

CITY OF WALDPORT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Sewer	Totals	Public Works Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	$ 101,575	$ 225,080	$ 326,655	$ 154,991
Accounts receivable - net	72,249	46,857	119,106	-
Assessments receivable	-	5,010	5,010	-
Restricted assets - cash	93,026	69,103	162,129	-
Inventory	38,996	8,237	47,233	-
Total current assets	305,846	354,287	660,133	154,991
Capital assets:				
Land	89,757	10,741	100,498	177,223
Water rights	54,801	-	54,801	-
Construction in process	322,950	3,501	326,451	-
Depreciable assets, net of depreciation	2,557,225	6,063,042	8,620,267	560,113
Total capital assets, net	3,024,733	6,077,284	9,102,017	737,336
Total assets	3,330,579	6,431,571	9,762,150	892,327
Deferred outflows of resources				
Deferred amounts related to pensions	-	-	-	26,915
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	3,757	144	3,901	1,161
Compensated absences payable	-	-	-	30,525
Accrued interest payable	1,951	7,244	9,195	9,718
Current portion of revenue bond payable	-	16,441	16,441	-
Current portion of notes payable	33,510	-	33,510	13,710
Total current liabilities	39,218	23,829	63,047	55,114
Long-term liabilities:				
Revenue bond payable (net of current portion)	-	686,042	686,042	-
Notes payable (net of current portion)	388,618	-	388,618	460,941
Net pension liability	-	-	-	85,185
Total long-term liabilities	388,618	686,042	1,074,660	546,126
Total liabilities	427,836	709,871	1,137,707	601,240
Deferred inflows of resources				
Deferred amounts related to pensions	-	-	-	22,268
Net position:				
Net investment in capital assets	2,602,605	5,374,801	7,977,406	262,685
Expendable, restricted for:				
System development	70,866	23,685	94,551	-
Unrestricted	229,272	323,214	552,486	33,049
Total net position	$ 2,902,743	$ 5,721,700	8,624,443	$ 295,734
Reconcilation to the Statement of Net Position - Business-Type Activities				
Inclusion of Internal Service Fund			295,734	
Net position at end of year, Statement of Net Position - Business-Type Activities			$ 8,920,177	

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

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

	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	$ 636,084	$ 619,870	$ 1,255,954	$ 856,816
Grants	6,332	-	6,332	-
Total operating revenues	642,416	619,870	1,262,286	856,816
Operating expenses:				
Current:				
Personnel services	-	-	-	968,131
Materials and services	457,456	426,539	883,995	68,386
Depreciation	76,754	137,685	214,439	25,646
Total operating expenses	534,210	564,224	1,098,434	1,062,163
Operating income (loss)	108,206	55,646	163,852	(205,347)
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	-	-	-	25,000
Interest earnings	719	1,317	2,036	789
Interest expense	(6,559)	(29,801)	(36,360)	(14,739)
Total nonoperating revenues (expenses)	(5,840)	(28,484)	(34,324)	11,050
Income (loss) before transfers and contributions	102,366	27,162	129,528	(194,297)
Transfers and contributions:				
Transfers (to) from other funds	(80,018)	(90,994)	(171,012)	36,645
Change in net position	22,348	(63,832)	(41,484)	(157,652)
Net position at beginning of year	2,880,395	5,785,532	8,665,927	453,386
Net position at end of year	$ 2,902,743	$ 5,721,700	$ 8,624,443	$ 295,734

Reconcilation 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	$ (41,484)
Inclusion of Internal Service Fund	(157,652)
Change in net position - Business-Type Activities	$ (199,136)

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

CITY OF WALDPORT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Increase (Decrease) in Cash and Cash Equivalents
For the Fiscal Year Ended June 30, 2016

	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	$ 632,557	$ 618,430	$ 1,250,987	$ 1,250
Receipts from interfund services provided	-	-	-	855,566
Cash paid to employees	-	-	-	(718,764)
Cash paid to suppliers	(459,425)	(430,508)	(889,933)	(75,986)
Net cash provided (used) by operating activities	173,132	187,922	361,054	62,066
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	36,645
Transfers to other funds	(80,018)	(90,994)	(171,012)	-
Net cash provided (used) by noncapital financing activites:	(80,018)	(90,994)	(171,012)	36,645
Cash flows from capital and related financing activities:				
Grant, loan and insurance proceeds	-	-	-	500,000
Purchase of capital assets	(51,610)	(3,501)	(55,111)	(614,743)
Interest paid	(6,678)	(31,010)	(37,688)	(5,021)
Principal payments on long-term debt	(33,342)	(95,626)	(128,968)	(25,349)
Net cash provided (used) by capital and related financing activities	(91,630)	(130,137)	(221,767)	(145,113)
Cash flows from investing activities:				
Proceeds from the sale of capital assets	-	-	-	25,000
Interest on investments	719	1,317	2,036	789
Net cash provided (used) by investing activites:	719	1,317	2,036	25,789
Net increase (decrease) in cash and cash equivalents	2,203	(31,892)	(29,689)	(20,613)
Cash and cash equivalents at beginning of year (including restricted cash of $200,996)	192,398	326,075	518,473	175,604
Cash and cash equivalents at end of year (including restricted cash of $162,129)	$ 194,601	$ 294,183	$ 488,784	$ 154,991
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 108,206	$ 55,646	$ 163,852	$ (205,347)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	76,754	137,685	214,439	25,646
Change in assets and liabilities:				
Accounts receivable	(9,859)	(1,440)	(11,299)	-
Inventory	(251)	(4,070)	(4,321)	-
Accounts payable	(1,718)	101	(1,617)	(1,504)
Deferred inflow/outflows related to pension	-	-	-	249,367
Accrued payroll and benefits	-	-	-	(6,096)
Net cash provided (used) by operating activities	$ 173,132	$ 187,922	$ 361,054	$ 62,066

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

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 of Waldport, 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 Construction Fund - This Special Revenue fund accounts for and reports on 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.

Urban Renewal Debt Service Fund – This fund accounts for and reports on the specific tax increment revenues that are restricted for expenditures for debt service on Urban Renewal 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 and report 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 and report on the activities of the water treatment and distribution system.

Sewer Fund - This fund is used to account for and report on 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, 2016, the City had $528,667 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. Hourly 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, 2016, for donor or grantor stipulated purposes was $540,490.

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, 2016, 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.

15. Newly Implemented Accounting Standards

GASB Statement No. 72, Fair Value Measurement and Application. Issued February 2015, this statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 was effective for the City as of fiscal year ending June 30, 2016. The City anticipates no financial impact as a result of implementing this statement.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Issued June 2015, this statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There is no financial impact as a result of implementing this standard.

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, 2016. 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, 2016, the carrying amounts of the City's deposits in various financial institutions were $273,960 and the bank balance was $300,592. Of the bank balance, $250,000 was insured by the Federal Deposit Insurance Corporation and $50,592 was covered by the Public Funds Collateralization Program.

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 2016. 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, 2016, the City had the following investments:

Investment Type	Maturity	Percentage of Portfolio	Fair Value
Local Government Investment Pool	1 day	87%	$ 1,093,716
Certificate of Deposit - 18 months	1-5 years	13%	165,000
Total investments			$ 1,258,716

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

Carrying amounts of deposits	$ 273,960
Petty Cash	150
Cash with County	6,696
Investments	1,093,716
Total	$ 1,374,522
Balance Sheet	
Governmental Funds:	
General Fund	$ 324,458
Street Fund	156,724
Urban Renewal Construction Fund	162,962
Urban Renewal Debt Service Fund	85,182
Road District	1,421
	730,747
Proprietary Funds:	
Water Fund (includes restricted cash of $93,026)	194,601
Sewer Fund (includes restricted cash of $69,103)	294,183
Public Works Fund	154,991
	643,775
Total	$ 1,374,522

B. Receivables

Receivables as of fiscal year end are as follows:

Governmental Activities:

	General Fund	Street Fund	Urban Renewal Debt Service Fund	Road District Fund	Totals
Accounts receivable	$ 77,933	$ 11,100	$ -	$ -	$ 89,033
Property taxes	53,767	-	4,651	13,542	71,960
Total government receivables	$ 131,700	$ 11,100	$ 4,651	$ 13,542	$ 160,993

	Water Fund	Sewer Fund	Totals
Accounts receivable	$ 104,852	$ 79,460	$ 184,312
Assessments receivable	-	5,010	5,010
Less allowance for doubtful accounts	(32,603)	(32,603)	(65,206)
Net business-type accounts receivable	$ 72,249	$ 51,867	$ 124,116

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 $65,204 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 2015-16, the City imposed a property tax rate of $2.3328 per $1,000 of assessed value. After reduction for estimated shared offsets, truncation, and loss due to constitutional limits, this resulted in a net levy of $474,167 for general operations and a levy for bonded indebtedness of $86,096.

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 2015-16, the Agency assessed $55,922.

The City of Waldport's Road District, a component unit, imposed a property tax rate of $0.6960 per $1,000 of assessed value, which resulted in a net levy of $141,475.

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, 2016, the General Fund, Urban Renewal Debt Service Fund and Road District Fund reported deferred inflows of resources for property taxes on the Balance Sheet of $49,367, $4,251, and $12,442, respectively.

D. Capital Assets

Capital asset activity for the City for the fiscal year ended June 30, 2016, was as follows:

Governmental activities:	Balance 6/30/2015	Additions / Transfers	Deletions / Transfers	Balance 6/30/2016
Nondepreciable capital assets				
Land	$ 205,694	$ -	$ -	$ 205,694
Construction in progress	21,741	83,144	(21,741)	83,144
Total nondepreciable capital assets	227,435	83,144	(21,741)	288,838
Depreciable capital assets				
Buildings	972,171			972,171
Street and storm systems	2,575,427			2,575,427
Park system	408,714	31,000	-	439,714
Equipment	38,855	-	-	38,855
Total depreciable capital assets	3,995,167	31,000	-	4,026,167
Less accumulated depreciation for				
Buildings	(524,054)	(35,521)	-	(559,575)
Streets and storm systems	(860,543)	(101,400)	-	(961,943)
Park system	(157,358)	(27,144)	-	(184,502)
Equipment	(31,920)	(3,728)	-	(35,648)
Total accumulated depreciation	(1,573,875)	(167,793)	-	(1,741,668)
Net depreciable capital assets	2,421,292	(136,793)	-	2,284,499
Net governmental capital assets	$ 2,648,727	$ (53,649)	$ (21,741)	$ 2,573,337

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

General government	$ 10,578
Culture and recreation	55,815
Highways and streets	101,400
	$ 167,793

Business-type Activities:	Balance 6/30/2015	Additions / Transfers	Deletions / Transfers	Balance 6/30/2016
Nondepreciable capital assets				
Land	$ 106,221	$ 171,500	$ -	$ 277,721
Water rights	49,443	5,358	-	54,801
Construction in progress	302,553	49,753	(25,855)	326,451
Total nondepreciable capital assets	458,217	226,611	(25,855)	658,973
Depreciable capital assets				
Buildings	89,408	469,098	-	558,506
Utility systems	12,927,383	-	-	12,927,383
Equipment	419,340	-	(60,350)	358,990
Total depreciable capital assets	13,436,131	469,098	(60,350)	13,844,879
Less accumulated depreciation for				
Buildings	(38,190)	(6,479)	-	(44,669)
Utility systems	(4,092,677)	(214,439)	-	(4,307,116)
Equipment	(353,897)	(19,167)	60,350	(312,714)
Total accumulated depreciation	(4,484,764)	(240,085)	60,350	(4,664,499)
Net depreciable capital assets	8,951,367	229,013	-	9,180,380
Net business-type capital assets	$ 9,409,584	$ 455,624	$ (25,855)	$ 9,839,353

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 $45,418 and the City was in compliance for the fiscal year 2015-2016. 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

	USDA #92-08 payable from Sewer Fund		
Fiscal Year	Total	Principal	Interest
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
2020-21	45,418	19,326	26,092
2021-26	227,090	109,264	117,826
2026-31	227,090	133,739	93,351
2031-36	227,090	163,695	63,395
2036-41	227,090	200,358	26,732
2041-42	6,408	6,156	252
Total	$ 1,141,858	702,483	$ 439,375
Less current portion		(16,441)	
		$ 686,042	

Notes Payable. The notes payable consist of a note payable to the Oregon Business Development Department (OBDD) from the net revenues of the Water Fund, a note payable to Umpqua Bank from the Water Fund, and a new note payable to Business Oregon Infrastructure Finance Authority from the net revenues of the Water and Sewer Funds. The OBDD Water Fund note requires a reserve of $22,160. The Umpqua Bank note requires collateral in the form of a certificate of deposit for $165,000. The BOIFA note requires net revenues of the funds to be 120% of the debt service payment. The City was in compliance with the reserve and the collateral requirement for the year ending June 30, 2016.

A note to the Oregon Department of Environmental Quality (DEQ) for the Sewer Fund's golf course pump station was paid off during the year. The principal amount paid was $79,837.

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

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

	OBDD #S01008 Payable from Water Fund		
Fiscal Year	Total	Principal	Interest
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
2020-21	20,145	17,701	2,444
2021-26	100,725	91,196	9,529
2026-31	100,725	95,847	4,878
2031-33	60,438	39,690	20,748
Total	$ 362,613	313,502	$ 49,111
Less current portion		(17,010)	
		$ 296,492	

Issue date: January 15, 2013
Original amount: $165,000
Interest rate: variable; 2.7% at June 30, 2016
Purpose: Water reservoir rehabilitation

	Umpqua #70011654 Payable from Water Fund		
Fiscal Year	Total	Principal	Interest
2016-17	$ 19,532	$ 16,500	$ 3,032
2017-18	19,037	16,500	2,537
2018-19	18,702	16,500	2,202
2019-20	18,305	16,500	1,805
2020-21	17,727	16,500	1,227
2021-23	26,887	26,125	762
Total	$ 120,190	108,625	$ 11,565
Less current portion		(16,500)	
		$ 92,125	

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, 2016, the current CD rate is 0.15 percent plus the index rate, resulting in a rate of 2.7 percent per annum.

Issue date: September 15, 2015
Original amount: $500,000
Interest rate: 3.51%
Purpose: Acquisition Public Works Facility

Fiscal Year	BOIFA Payable from Public Works Fund		
	Total	Principal	Interest
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
2020-21	30,370	15,738	14,632
2021-26	151,850	87,375	64,475
2026-31	151,850	103,825	48,025
2031-36	151,850	123,371	28,479
2036-39	92,805	86,548	6,257
Total	$ 700,205	474,652	$ 225,553
Less current portion		(13,710)	
		$ 460,942	

Business Oregon Infrastructure Finance Authority requires the principal and interest to be paid solely from the net revenues of the Water and Sewer systems under the debt covenant. The covenant also requires the City to fix rates such that the net revenues are 120% of the annual debt service payments. For 2015-2016, the City was in compliance.

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, 2016, was $3,140. The copier under lease at year-end had a cost of $9,525, with accumulated depreciation of $8,573 and a net book value of $952.

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

Fiscal Year	Capital Lease Payable from General Fund		
	Total	Principal	Interest
2016-17	$ 1,378	$ 1,353	$ 25
Less current portion		(1,353)	
		$ -	

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 2015-2016. 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

	USDA Payable from General Fund		
Fiscal Year	Total	Principal	Interest
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
2020-21	86,053	44,493	41,560
2021-26	430,265	254,364	175,901
2026-31	430,265	316,984	113,281
2031-35	342,548	307,700	34,848
Total	$ 1,633,343	1,083,163	$ 550,180
Less current portion		(37,311)	
		$ 1,045,852	

At year end, the City was approved for a financing contract with the Oregon Infrastructure Finance Authority (IFA) for water treatment plant improvements. The project to be financed is a three phase improvement to remedy deficiencies identified by the Oregon Health Authority water survey. The project budget is for $195,000, with a loan amount of $74,000, a forgivable loan amount of $111,000, and a City match of $10,000. The terms include a one percent interest rate payable over twenty years, with payments to be made from the net revenues of the Water Fund. No funds had been drawn on the loan.

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2016:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Amount due within one year
Business-type Activities:					
Revenue bond - USDA	$ 718,272	$ -	$ 15,789	$ 702,483	$ 16,441
Note payable - DEQ	79,837	-	79,837	-	-
Note payable - OBDD	330,345	-	16,842	313,503	17,010
Note payable - BOIFA		500,000	25,349	474,651	13,710
Note payable - Umpqua	125,125	-	16,500	108,625	16,500
Total business-type activities	1,253,579	500,000	154,317	1,599,262	63,661
Governmental Activities:					
Capital lease	3,140	-	1,787	1,353	1,353
General obligation bonds	1,118,867	-	35,704	1,083,163	37,311
Total governmental activities	1,122,007	-	37,491	1,084,516	38,664
Total	$2,375,586	$ 500,000	$ 191,808	$2,683,778	$ 102,325

Changes in other liabilities. The following is a summary of changes in other liabilities during the fiscal year ended June 30, 2016:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Amount due within one year
Governmental Activities:					
Vacation payable	$ 23,134	$ 27,398	$ 20,108	$ 30,424	$ 30,424
Business-type Activities:					
Vacation payable	$ 33,321	$ 33,634	$ 36,430	$ 30,525	$ 30,526

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	Urban Renewal Debt Service Fund	Road District Fund	Total
Nonspendable:						
Inventory	$ -	$ 8,876	$ -	$ -	$ -	$ 8,876
Restricted:						
Collateral	165,000	-	-	-	-	165,000
Debt service	93,120	-	-	85,582	-	178,702
Streets	-	167,824	-	-	-	167,824
Footpaths and bicycle trails	-	-	-	-	2,521	2,521
System development-parks	18,174	-	-	-	-	18,174
Urban renewal projects	-	-	162,962	-	-	162,962
Assigned:						
Economic development	25,743	-	-	-	-	25,743
Recreation	104,613	-	-	-	-	104,613
Unassigned:	132,189	-	-	-	-	132,189
	$ 538,839	$ 176,700	$ 162,962	$ 85,582	$ 2,521	$ 966,604

G. Restricted Net Position

Additionally, amounts are restricted due to their revenue source for streets, urban renewal 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	$ -	$ 171,638	$ -	$ 2,521	$ 174,159
Footpaths and bicycle trails	-	5,062	-	-	5,062
Urban renewal construction	-	-	162,962	-	162,962
Urban renewal debt service	-	-	85,582	-	85,582
System development-parks	18,174	-	-	-	18,174
	$ 18,174	$ 176,700	$ 248,544	$ 2,521	$ 445,939

Business-type activities:

	Water	Sewer	Total
Net assets restricted for:			
System development	$ 70,866	$ 23,685	$ 94,551

H. Interfund Transfers

	Transfer out	Transfer in
Governmental Activities:		
General Fund	$ 105,500	$ 165,634
Community Fund	-	105,500
Street Fund	31,267	-
Urban Renewal Construction Fund	30,892	-
Urban Renewal Debt Service Fund	-	30,892
	167,659	302,026
Business-type Activities:		
Water Fund	80,018	-
Sewer Fund	90,994	-
Public Works Fund	-	36,645
	171,012	36,645
Total	$ 338,671	$ 338,671

The transfers from the Water, Sewer and Street Funds are routine in nature and occur annually. These are transfers to the General Fund to support the administration of the City. The transfer from the General Fund to the Community Fund is also an annual, routine transfer to support the Community Fund. The transfer to the Public Works Fund from the Water Fund was to provide for a down payment on the purchase of the new public works building. The transfer from the Urban Renewal Construction Fund to the Urban Renewal Debt Service fund was to move tax increment revenues from the prior year to the fund that will service the debt.

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.

C. 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). OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

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.

OPSRP Individual Account Program (OPSRP IAP)

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

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

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

Recordkeeping – PERS contracts with VOYA Financial to maintain IAP participant records.

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 8.83 percent for Tier 1 and Tier II employees and 3.03 percent for OPSRP members for the fiscal year.

Employer contribution rates during the period were based on the December 31, 2014, actuarial valuation. 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, 2016 were $86,292. This consisted of $40,859 from the City and $45,433 paid by the City on behalf of employees. These added to the City's fiduciary net position.

Pension Assets, Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2016, the City reported a liability of $164,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.00286248 percent, which was an decrease of .00049567 from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the City's actuarially determined pension expense was $161,377. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,862	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on investments	-	(34,451)
Changes in proportion and differences between employer contributions and proportionate share of system contributions contributions	5,801	(8,511)
Contributions subsequent to the MD	37,264	-
Total	$ 51,927	$ (42,962)

The $51,927 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 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (14,821)
2018	(14,821)
2019	(14,821)
2020	15,998
2021	166
Thereafter	-
Total	$ (28,299)

Actuarial Assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2013, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement date	June 30, 2015
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions: Inflation rate Long-term expected rate of return Discount rate Projected salary increases Cost of living adjustments (COLA)	 2.75 percent 7.75 percent 7.75 percent 3.75 percent Blend of 2% COLA and graded COLA (1.25% / .15%) in accordance with Moro decision; blended based on service.
Mortality	***Healthy retirees and beneficiaries:*** RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. ***Active members:*** Mortality rates are a percentage of healthy retirees rates that vary by group, as described in the valuation. ***Disabled retirees:*** Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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	7.20%	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	1.25	6.07
Assumed Inflation - Mean		2.75%

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.

Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL/(A)]	6/30/2015
Actuarial Valuation Date (liability rolled forward to MD)	12/31/2013
Discount rate	7.75%
Employer's proportionate share at prior MD	0.00335815%
Employer's proportionate share at MD	0.00286248%
Employer's proportionate share of system NPL/(A) at prior MD	$ (76,120)
Employer's proportionate share of system NPL/(A) at MD	$ 164,348
Sensitivity: NPL/(A) using discount rate 1.00% lower	$ 396,648
Sensitivity: NPL/(A) using discount rate 1.00% higher	$ (31,420)

Employer Pension Expense for Measurement Period	
Employer's proportionate share of system Pension Expense/(Income)	$ 161,774
Net Amortization of deferred amounts from:	
Changes in proportionate share	(1,934)
Differences between employer contributions and employer's proportionate share of system contributions	1,537
Employer's Total Pension Expense/(Income)	$ 161,377

Plan Changes Reflected

The Oregon Supreme Court decision in Moro v. State of Oregon (issued on April 30, 2015) occurred after the December 31, 2013, valuation date but affected the plan provisions reflected for financial reporting purposes. The Moro decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. To reflect the *Moro* decision, the actuary estimated the blended COLA based on creditable service before and after the effective dates of the legislation. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

Management is not aware of any changes subsequent to the June 30, 2015, Measurement Date that meet this requirement. The assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016.

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.

B. Commitments

At June 30, 2016, the City is involved in the various phases of improvement projects. The significant contract and remaining amount is shown below:

Fund	Description	Original Contract Amount	Outstanding Contract Amount	Percentage of Completion
General Fund	Industrial Area Master Plan	$ 60,000	$ 888	99%
	Wayziyata Access Engineering	2,000	1,494	25%
Water Fund				
	Water Treatment Plan	14,974	11,932	20%
		$ 76,974	$ 14,314	

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALDPORT, OREGON
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY FOR THE LAST THREE YEARS*

Year Ended June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability/asset as a percentage of its covered payroll	Plan fiduciary net position as a percentage of total pension liability
2014	0.00335815%	$ 171,371	$ 655,695	26.14%	92%
2015	0.00335815%	$ (76,120)	$ 659,905	11.53%	103.6%
2016	0.00286248%	$ 164,348	$ 756,969	21.71%	91.9%

SCHEDULE OF CONTRIBUTIONS OF NET PENSION LIABILITY

Year Ended June 30,	(a) Contractually required contribution	(b) Contributions in relation to the contractually required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2014	$ 81,010	$ 81,010	$ -	$ 655,695	12.4%
2015	$ 74,988	$ 74,988	$ -	$ 659,905	11.4%
2016	$ 86,292	$ 86,292	$ -	$ 756,969	11.4%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

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.

Urban Renewal Debt Service Fund – This fund accounts for and reports the specific tax increment revenues that are restricted for expenditures for debt service on Urban Renewal projects. Revenues raised under Section 1c, Article IX of the Oregon Constitution, and ORS Chapter 457 are pledged irrevocable 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 WALDPORT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Property taxes	$ 569,929	$ 569,929	$ 547,931	$ (21,998)
Franchise and room taxes	136,000	136,000	164,282	28,282
Intergovernmental	54,500	54,500	56,621	2,121
Fees, licenses and charges for services	46,267	46,267	47,823	1,556
Interest earnings	1,800	1,800	2,603	803
Donations and grants	4,600	7,100	3,500	(3,600)
Total revenues	813,096	815,596	822,760	7,164
Expenditures:				
General government:				
Administration	406,854	406,854	385,706	21,148
Land use planning	68,698	68,698	65,136	3,562
Public safety	357,007	364,207	362,801	1,406
Debt service	86,053	86,053	86,053	-
Contingency	26,142	20,842	-	20,842
Total expenditures	944,754	946,654	899,696	46,958
Excess (deficiency) of revenues over (under) expenditures	(131,658)	(131,058)	(76,936)	54,122
Other financing sources (uses):				
Transfer in	165,634	165,634	165,634	-
Transfer out	(104,900)	(135,500)	(105,500)	30,000
Total other financing sources (uses)	60,734	30,134	60,134	30,000
Net change in fund balance	(70,924)	(100,924)	(16,802)	84,122
Fund balance at beginning of year	363,500	393,500	407,111	13,611
Fund balance at end of year	$ 292,576	$ 292,576	390,309	$ 97,733

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, 2016

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	$ 115,000	$ 115,000	$ 124,471	$ 9,471
Charges for services	146,500	146,500	139,000	(7,500)
Interest earnings	400	400	643	243
Total revenues	261,900	261,900	264,114	2,214
Expenditures:				
Highways and streets:				
Materials and services	244,500	244,500	218,461	26,039
Capital outlay	20,000	20,000	-	20,000
Contingency	15,721	15,721	-	15,721
Total expenditures	280,221	280,221	218,461	61,760
Excess (deficiency) of revenues over (under) expenditures	(18,321)	(18,321)	45,653	63,974
Other financing sources (uses):				
Transfer out	(31,267)	(31,267)	(31,267)	-
Net change in fund balance	(49,588)	(49,588)	14,386	63,974
Fund balance at beginning of year	122,500	122,500	160,904	38,404
Fund balance at end of year	$ 72,912	$ 72,912	175,290	$ 102,378
Reconciliation to generally accepted accounting principles basis:				
Adjust for change in inventory			1,410	
GAAP basis fund balance			$ 176,700	

See auditor's report.

CITY OF WALDPORT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
URBAN RENEWAL FUND
For the Fiscal Year Ended June 30, 2016

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Interest earnings	$ 400	$ 400	$ 1,082	$ 682
Expenditures:				
UR #1 Construction	966	966	966	-
UR #2 Construction	60,051	60,051	7,223	52,828
UR #3 Construction	26,500	26,500	-	26,500
Contingency	114,383	114,383	-	114,383
Total expenditures	201,900	201,900	8,189	193,711
Excess (deficiency) of revenues over (under) expenditures	(201,500)	(201,500)	(7,107)	194,393
Other financing sources (uses):				
Transfer out	(35,000)	(35,000)	(30,892)	4,108
Loan Proceeds	30,000	30,000	-	(30,000)
Total other financing sources (uses):	(5,000)	(5,000)	(30,892)	(25,892)
Net change in fund balance	(206,500)	(206,500)	(37,999)	168,501
Fund balance at beginning of year	206,500	206,500	200,961	(5,539)
Fund balance at end of year	$ -	$ -	$ 162,962	$ 162,962

See auditor's report.

CITY OF WALDPORT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
URBAN RENEWAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2016

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Tax increment revenues	$ 50,700	$ 50,700	$ 54,278	$ 3,578
Interest	100	100	412	312
Total revenues	50,800	50,800	54,690	3,890
Expenditures:				
Debt service	-	-	-	-
Total expenditures	-	-	-	-
Excess of (deficiency) of revenues over (under) expenditures	50,800	50,800	54,690	3,890
Other financing sources (uses):				
Transfer in	35,000	35,000	30,892	(4,108)
Net change in fund balance	85,800	85,800	85,582	(218)
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	$ 85,800	$ 85,800	$ 85,582	$ (218)

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, 2016

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Property taxes	$ 144,700	$ 144,700	$ 138,383	$ (6,317)
Interest earnings	100	100	139	39
Total revenues	144,800	144,800	138,522	(6,278)
Expenditures:				
Highway and streets:				
Materials and services	146,800	146,800	139,455	7,345
Net change in fund balance	(2,000)	(2,000)	(933)	1,067
Fund balance at beginning of year	2,000	2,000	3,454	1,454
Fund balance at end of year	$ -	$ -	$ 2,521	$ 2,521

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 WALDPORT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY FUND
For the Fiscal Year Ended June 30, 2016

	Original	Final Budget	Actual	Variance
Revenues:				
Charges for services	$ 19,500	$ 19,500	$ 19,434	$ (66)
Intergovernmental revenue	180,432	180,432	180,439	7
Donations and grants	90,380	190,225	104,076	(86,149)
Total revenues	290,312	390,157	303,949	(86,208)
Expenditures:				
Personnel services	156,122	156,122	150,904	5,218
Materials and services	172,642	192,987	144,436	48,551
Capital outlay	61,480	171,580	92,403	79,177
Contingency	11,568	11,568	-	11,568
Total expenditures	401,812	532,257	387,743	144,514
Excess (deficiency) of revenues over (under) expenditures	(111,500)	(142,100)	(83,794)	58,306
Other financing sources (uses):				
Transfer in	74,900	105,500	105,500	-
Net change in fund balance	(36,600)	(36,600)	21,706	58,306
Fund balance at beginning of year	102,400	102,400	126,824	24,424
Fund balance at end of year	$ 65,800	$ 65,800	$ 148,530	$ 82,730

See auditor's report.

CITY OF WALDPORT
COMBINING BALANCE SHEET (GENERAL FUND AND COMMUNITY FUND)
FOR GAAP BASIS PRESENTATION*
June 30, 2016

	General	Community	Total
ASSETS			
Cash and cash equivalents	$ 197,297	$ 127,161	$ 324,458
Investments	165,000	-	165,000
Receivables (net)			
Accounts receivable	39,000	38,933	77,933
Property taxes	53,767	-	53,767
Total assets	$ 455,064	$ 166,094	$ 621,158
LIABILITIES			
Accounts payable	$ 6,136	$ 7,804	$ 13,940
Unearned revenues	9,252	9,760	19,012
Total liabilities	15,388	17,564	32,952
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	49,367	-	49,367
FUND BALANCES			
Restricted	258,120	18,174	276,294
Assigned	-	130,356	130,356
Unassigned	132,189	-	132,189
Total fund balances	390,309	148,530	538,839
Total liabilities, deferred inflows and fund balances	$ 455,064	$ 166,094	$ 621,158

*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 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(GENERAL FUND AND COMMUNITY FUND)
FOR GAAP BASIS PRESENTATION*
For the Fiscal Year Ended June 30, 2016

	General	Community	Eliminations	Total
Revenues:				
Property taxes	$ 547,931	$ -	$ -	$ 547,931
Franchise and room taxes	164,282	-	-	164,282
Intergovernmental	56,621	180,439	-	237,060
Fees, licenses and charges for services	47,823	19,434	(5,666)	61,591
Interest earnings	2,603	-	-	2,603
Donations and grants	3,500	104,076	-	107,576
Total revenues	822,760	303,949	(5,666)	1,121,043
Expenditures:				
Current:				
General government	445,176	-	-	445,176
Public safety	362,801	-	-	362,801
Culture and recreation	5,666	261,773	(5,666)	261,773
Economic development	-	33,567	-	33,567
Capital outlay	-	92,403	-	92,403
Debt service	86,053	-	-	86,053
Total expenditures	899,696	387,743	(5,666)	1,281,773
Excess (deficiency) of revenues over (under) expenditures	(76,936)	(83,794)	-	(160,730)
Other financing sources (uses):				
Transfer in (out)	60,134	105,500	-	165,634
Net change in fund balances	(16,802)	21,706		4,904
Fund balances at beginning of year	407,111	126,824	-	533,935
Fund balances at end of year	$ 390,309	$ 148,530	$ -	$ 538,839

*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 WALDPORT
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, 2016

	Budget			
	Original	Final	Actual	Variance
Operating revenues:				
Charges for services	$ 604,841	$ 616,991	$ 636,084	$ 19,093
Operating expenses:				
Materials and services	465,400	487,550	455,066	32,484
Capital outlay	55,000	92,000	51,610	40,390
Contingency	25,141	15,141	-	15,141
Total operating expenses	545,541	594,691	506,676	88,015
Operating income (loss)	59,300	22,300	129,408	107,108
Nonoperating revenue (expenses):				
Grant proceeds	-	-	6,332	6,332
Interest earnings	1,000	1,000	719	(281)
Debt service	(40,162)	(40,162)	(40,020)	142
Total nonoperating revenue (expenses)	(39,162)	(39,162)	(32,969)	6,193
Income (loss) before transfers	20,138	(16,862)	96,439	113,301
Transfers out	(74,623)	(105,873)	(80,018)	25,855
Change in net position	(54,485)	(122,735)	16,421	139,156
Net working capital at beginning of year	214,200	251,200	252,646	1,446
Net working capital at end of year	$ 159,715	$ 128,465	269,067	$ 140,602
Reconciliation to generally accepted accounting principles basis				
Change in receivable			(2,641)	
Change in inventory			251	
Change in accrued interest payable			119	
Change in current portion of long-term debt			(168)	
GAAP basis net working capital			$ 266,628	

See auditor's report.

CITY OF WALDPORT
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, 2016

	Budget			
	Original	Final	Actual	Variance
Operating revenues:				
Charges for services	$ 596,123	$ 608,273	$ 620,233	$ 11,960
Operating expenses:				
Materials and services	473,400	485,550	427,968	57,582
Capital outlay	95,000	88,750	3,501	85,249
Contingency	23,632	23,632	-	23,632
Total operating expenses	592,032	597,932	431,469	166,463
Operating income (loss)	4,091	10,341	188,764	178,423
Nonoperating revenue (expenses):				
Interest earnings	1,100	1,100	1,317	217
Debt service	(128,229)	(128,229)	(126,636)	1,593
Total nonoperating revenue (expenses)	(127,129)	(127,129)	(125,319)	1,810
Income (loss) before transfers and contributions	(123,038)	(116,788)	63,445	180,233
Transfers out	(59,744)	(90,994)	(90,994)	-
Change in net position	(182,782)	(207,782)	(27,549)	180,233
Net working capital at beginning of year	276,400	276,400	341,482	65,082
Net working capital at end of year	$ 93,618	$ 68,618	313,933	$ 245,315
Reconciliation to generally accepted accounting principles basis				
Change in receivable			(3,004)	
Change in inventory			4,070	
Change in accrued interest payable			1,209	
Change in current portion of long-term debt			14,250	
GAAP basis net working capital			$ 330,458	

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, 2016

	Budget			
	Original	Final	Actual	Variance
Operating revenues:				
Charges for services	$ 850,000	$ 880,370	$ 856,816	$ (23,554)
Operating expenses:				
Personnel services	753,051	753,051	721,560	31,491
Materials and services	93,600	75,300	68,386	6,914
Capital outlay	50,000	693,300	614,743	78,557
Debt service	-	30,370	30,370	-
Contingency	19,702	19,702	-	19,702
Total operating expenses	916,353	1,571,723	1,435,059	136,664
Operating income (loss)	(66,353)	(691,353)	(578,243)	113,110
Nonoperating revenue (expenses):				
Loan proceeds	-	500,000	500,000	-
Miscellaneous	30,000	30,000	25,000	(5,000)
Interest earnings	700	700	789	89
Total nonoperating revenue (expenses)	30,700	530,700	525,789	(4,911)
Income (loss) before transfers	(35,653)	(160,653)	(52,454)	108,199
Transfers in	-	62,500	36,645	(25,855)
Change in net position	(35,653)	(98,153)	(15,809)	82,344
Net working capital at beginning of year	188,000	188,000	136,318	(51,682)
Net working capital at end of year	$ 152,347	$ 89,847	120,509	$ 30,662
Reconciliation to generally accepted accounting principles basis				
Change in payroll liabilities				
Change in accrued compensation payable			2,796	
Change in accrued interest payable			(9,718)	
Change in current portion of long term debt			(13,710)	
GAAP basis net working capital			$ 99,877	

See auditor's report.

ACCOMPANYING INFORMATION

Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
CERTIFIED PUBLIC ACCOUNTANTS

JIM HOUGH, CPA
SHIRLEY MacADAM, CPA
JAYSON WARTNIK, CPA
LAURA FISHER, CPA
BOB GORMAN, CPA
BRIAN BRAS, CPA
JOE COLO, CPA
SALLY JAEGGLI, CPA
TINA JONES, CPA
BRYAN WILLIAMS, CPA

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 6, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 6, 2016.

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*.

3690 BROADWAY • NORTH BEND, OREGON 97459 • TELEPHONE (541) 269-9338 • 1-800-218-5063 • FAX (541) 267-0536

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

Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
CERTIFIED PUBLIC ACCOUNTANTS

JIM HOUGH, CPA
SHIRLEY MACADAM, CPA
JAYSON WARTNIK, CPA
LAURA FISHER, CPA
BOB GORMAN, CPA
BRIAN BRAS, CPA
JOE COLO, CPA
SALLY JAEGGLI, CPA
TINA JONES, CPA
BRYAN WILLIAMS, CPA

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

September 6, 2016

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, 2016, and have issued our report thereon dated September 6, 2016. 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.

3690 BROADWAY • NORTH BEND, OREGON 97459 • TELEPHONE (541) 269-9338 • 1-800-218-5063 • FAX (541) 267-0536

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 Statues 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