



**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Emerald CPA Group, LLP**  
450 Country Club Road, Suite 155  
Eugene OR 97401

**CITY OF WALDPORT  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**CITY OF WALDPOR**

**CITY OFFICIALS**

**June 30, 2018**

**Mayor and City Council**

**Term Expires**

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

December 31, 2018

Dann Cutter, Council President  
2226 N. Coast Highway  
Newport, Oregon 97365

December 31, 2018

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

December 31, 2018

Greg Dunn, Councilor  
120 SW Green Drive  
Waldport, Oregon 97394

December 31, 2020

Harry Dennis, Councilor  
P.O. Box 462  
Waldport, Oregon 97394

December 31, 2020

Kevin Yorks, Councilor  
990 SW Wazyata Avenue  
Waldport, Oregon 97394

December 31, 2018

Vacancy

December 31, 2020

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**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



# Emerald CPA Group, LLP

450 Country Club Road, Suite 155  
Eugene OR 97401

## INDEPENDENT AUDITOR'S REPORT

September 24, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of net pension liability and budgetary comparison information on the General Fund and the Major Special Revenue Funds be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis and the schedule of net pension liability in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information as shown in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and 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.

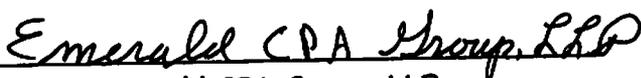
### **Supplementary Information**

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 21, 2018, 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 24, 2018, 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.



**Emerald CPA Group, LLP**  
Certified Public Accountants

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

**CITY OF WALDPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

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, 2018. 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 \$11,830,628 (net position) as of June 30, 2018. Of this amount, \$9,982,342 is invested in capital assets, net of related debt. The city's total net position increased by \$366,574 or 3%.
- Total revenues for fiscal year ending 2018 increased \$319,630 over the previous year and included \$232,491 in grant proceeds for the water fund. The total expenses for programs and services increased \$125,400 and included \$49,624 for the actuarially estimated long term pension expense, an increase of \$40,091 from the prior year.

**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		Business Type		City as a	
	Activities		Activities		Whole	
	2017	2018	2017	2018	2017	2018
<b>Assets:</b>						
Cash and investments	1,082,197	1,162,273	641,014	719,837	1,723,211	1,882,110
Other assets	147,643	158,116	180,155	352,590	327,798	510,706
Deferred pension outflows	90,754	133,532	100,214	137,013	190,968	270,545
Capital assets	<u>2,575,350</u>	<u>2,444,848</u>	<u>9,808,817</u>	<u>10,167,293</u>	<u>12,384,167</u>	<u>12,612,141</u>
<b>Total assets</b>	<b><u>3,895,944</u></b>	<b><u>3,898,769</u></b>	<b><u>10,730,200</u></b>	<b><u>11,376,733</u></b>	<b><u>14,626,144</u></b>	<b><u>15,275,502</u></b>
<b>Liabilities:</b>						
Current liabilities	147,324	128,260	178,965	317,577	326,289	445,837
Deferred pension inflows	24,492	19,322	27,046	19,826	51,538	39,148
Long term debt outstanding	1,006,863	966,656	1,473,054	1,547,299	2,479,917	2,513,955
Net pension liability	<u>144,634</u>	<u>220,100</u>	<u>159,712</u>	<u>225,834</u>	<u>304,346</u>	<u>445,934</u>
<b>Total liabilities</b>	<b><u>1,323,313</u></b>	<b><u>1,334,338</u></b>	<b><u>1,838,777</u></b>	<b><u>2,110,536</u></b>	<b><u>3,162,090</u></b>	<b><u>3,444,874</u></b>
<b>Net position:</b>						
Net investment in capital assets	1,529,498	1,437,481	8,270,773	8,544,861	9,800,271	9,982,342
Restricted	514,942	533,902	90,463	132,610	605,405	666,512
Unrestricted	<u>528,191</u>	<u>593,048</u>	<u>530,187</u>	<u>588,726</u>	<u>1,058,378</u>	<u>1,181,774</u>
<b>Total net position</b>	<b><u>2,572,631</u></b>	<b><u>2,564,431</u></b>	<b><u>8,891,423</u></b>	<b><u>9,266,197</u></b>	<b><u>11,464,054</u></b>	<b><u>11,830,628</u></b>

As of June 30, 2018, the city had \$12,612,141 invested in a broad range of capital assets, including water, wastewater, and street utility systems. Additions to capital assets included mandatory waterline relocations for the ODOT McKinney Slough Bridge project, an ultraviolet system upgrade for the wastewater treatment plant, water master plan, inflow and infiltration mitigation, and construction of Lint Slough trail. More detailed information about the city's capital assets is presented in the notes to the financial statements. The city's fiscal year 2018/2019 budget has appropriated \$1,275,582 for capital outlays, which includes McKinney Slough Bridge waterline relocations, a transportation system plan update, wastewater infrastructure to the industrial park, collection lift station improvements, public works equipment, and wastewater master plan.

As of June 30, 2018, the city owed \$2,513,955 of long-term principal debt. Detailed information about the city's long term debt is presented in the notes to the financial statements.

With the continued implementation of GASB 68, the city now reports a net pension liability of \$445,934, deferred pension outflows of \$270,545, and deferred pension inflows of \$39,148.

The assets of the City exceeded its liabilities by \$11,830,628 (net position) as of June 30, 2018. Of this amount, \$9,982,342 is invested in capital assets, net of related debt.

City of Waldport						
Statement of Activities						
	Governmental		Business Type		City as a	
	Activities		Activities		Whole	
	2017	2018	2017	2018	2017	2018
<b>Program Revenues:</b>						
Charges for services	55,840	83,642	1,228,039	1,326,104	1,283,879	1,409,746
Grants and contributions	200,323	28,213	16,236	232,491	216,559	260,704
<b>General Revenues:</b>						
Taxes	978,001	1,069,456	-	-	978,001	1,069,456
Intergovernmental	353,274	389,327	-	-	353,274	389,327
Gain on sale of capital assets	-	-	-	11,484	-	11,484
Interest	9,241	15,884	5,524	9,507	14,765	25,391
<b>Total Revenues</b>	<b>1,596,679</b>	<b>1,586,522</b>	<b>1,249,799</b>	<b>1,579,586</b>	<b>2,846,478</b>	<b>3,166,108</b>
<b>Expenses:</b>						
General government	448,664	540,265	-	-	448,664	540,265
Public safety	359,197	363,776	-	-	359,197	363,776
Streets, storm water	315,636	278,490	-	-	315,636	278,490
Culture, recreation	327,807	354,468	-	-	327,807	354,468
Economic development	23,544	14,645	-	-	23,544	14,645
Interest on debt	47,308	45,981	-	-	47,308	45,981
Water	-	-	548,436	566,423	548,436	566,423
Wastewater	-	-	603,542	635,486	603,542	635,486
<b>Total Expenses</b>	<b>1,522,156</b>	<b>1,597,625</b>	<b>1,151,978</b>	<b>1,201,909</b>	<b>2,674,134</b>	<b>2,799,534</b>
Excess (deficiency) before transfers	74,523	(11,103)	97,821	377,677	172,344	366,574
Contributed capital	-	(133,230)	-	133,230	-	-
Transfers in (out)	126,575	136,133	(126,575)	(136,133)	-	-
<b>Changes in net position</b>	<b>201,098</b>	<b>(8,200)</b>	<b>(28,754)</b>	<b>374,774</b>	<b>172,344</b>	<b>366,574</b>
Net position at beginning of year	2,371,533	2,572,631	8,920,177	8,891,423	11,291,710	11,464,054
<b>Net position at end of year</b>	<b>2,572,631</b>	<b>2,564,431</b>	<b>8,891,423</b>	<b>9,266,197</b>	<b>11,464,054</b>	<b>11,830,628</b>

Total revenues for the city increased \$319,630 or 11%. Charges for services increased for a greater number of system development charges, a 3% rate increase for water and wastewater services, and an increase in traffic fines received. Grants and contributions increased over the prior year and changed from economic development and recreation in 2017 to water infrastructure in 2018.

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. For fiscal year 2018 actuarially estimated long term pension expenses of \$49,624 are included in the city's Statement of Activities, an increase of \$40,091 from the prior year. More detailed information about the defined benefit pension plan is presented in the notes to the financial statements.

## **FUND FINANCIAL STATEMENTS**

At the end of the fiscal year, fund balances for all governmental funds increased \$101,062 over the previous year. The general fund received \$40,542 for the new 3% local marijuana tax and \$15,130 for state marijuana shared revenues. Transient room taxes increased \$21,554 from the previous year, mostly due to an increase in vacation rentals, and there was an increase of traffic fines collected. Street expenditures decreased due to a decrease in public works street services.

At the end of the fiscal year, fund balances for all business type funds increased \$374,774 from the previous year. The water fund received grant proceeds of \$232,491 for water improvements from Infrastructure Finance Authority and FEMA. Water and wastewater charges for services increased from the previous year due to an increased number of system development charges and a 3% rate increase for services. Water and wastewater expenses were comparable to the previous year.

## **BUDGETARY CHANGES**

Three resolutions were adopted during the fiscal year to amend the city's originally adopted budget. Total appropriations increased by \$474,280, primarily to adjust for the change of capital project schedules from the previous year (\$498,986) and to increase program expenditures (\$36,950), which were funded by additional resources (\$472,780) and reductions of contingency (\$63,156).

## **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 2,095, according to Portland State University Population Research Center, and is located on the Pacific Ocean in the central portion of the Oregon Coast in Lincoln County. 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 amenities to tourists, as well as increase opportunities for our citizens.

The financial condition of the City continues to be stable and adequate to provide the range of services as expected by our citizens. The City continues to develop and implement plans and infrastructure improvements to meet the needs of future years as well as respond to immediate issues. We remain conservative and efficient in our provision of basic services, as well as look at opportunities for enhancement to achieve City goals and objectives, mostly in the community programs.

## **FINANCIAL CONTACT**

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

*BASIC FINANCIAL STATEMENTS*

**CITY OF WALDPOR**  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 604,846	\$ 519,649	\$ 1,124,495
Receivables:			
Accounts (net)	76,012	288,786	364,798
Property taxes	68,899.00	-	68,899
Special assessments	-	3,952	3,952
Cash and cash equivalents - restricted	390,124	200,188	590,312
Investments - restricted	167,303	-	167,303
Inventories	13,205	59,852	73,057
	<u>1,320,389</u>	<u>1,072,427</u>	<u>2,392,816</u>
Capital assets:			
Nondepreciable capital assets	205,694	349,334	555,028
Construction in process	5,705	908,710	914,415
Depreciable assets, net of depreciation	2,233,449	8,909,249	11,142,698
	<u>2,444,848</u>	<u>10,167,293</u>	<u>12,612,141</u>
<b>Total assets</b>	<b>3,765,237</b>	<b>11,239,720</b>	<b>15,004,957</b>
Deferred outflows of resources:			
Deferred amounts related to pensions	133,532	137,013	270,545
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 3,898,769</u></b>	<b><u>\$ 11,376,733</u></b>	<b><u>\$ 15,275,502</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 10,859	\$ 185,650	\$ 196,509
Prepaid business licenses	11,783	-	11,783
Compensated absences payable	23,353	38,139	61,492
Accrued interest payable	41,554	18,655	60,209
Current portion of general obligation bonds payable	40,711	-	40,711
Current portion of revenue bond payable	-	17,825	17,825
Current portion of notes payable	-	57,308	57,308
	<u>128,260</u>	<u>317,577</u>	<u>445,837</u>
<b>Total current liabilities</b>	<b>128,260</b>	<b>317,577</b>	<b>445,837</b>
Long-term liabilities			
General obligation bonds payable (net of current portion)	966,656	-	966,656
Revenue bond payable (net of current portion)	-	651,098	651,098
Notes payable (net of current portion)	-	896,201	896,201
Net pension liability	220,100	225,834	445,934
	<u>1,186,756</u>	<u>1,773,133</u>	<u>2,959,889</u>
<b>Total long-term liabilities</b>	<b>1,186,756</b>	<b>1,773,133</b>	<b>2,959,889</b>
<b>Total liabilities</b>	<b>1,315,016</b>	<b>2,090,710</b>	<b>3,405,726</b>
Deferred inflows of resources:			
Deferred amounts related to pensions	19,322	19,826	39,148
<b>Total liabilities and deferred inflows of resources</b>	<b><u>1,334,338</u></b>	<b><u>2,110,536</u></b>	<b><u>3,444,874</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	1,437,481	8,544,861	9,982,342
Restricted for:			
Debt service	356,020	67,578	423,598
Streets	259,734	-	259,734
Footpaths and bicycle trails	7,650	-	7,650
System development	29,007	132,610	161,617
Urban renewal construction	141,634	-	141,634
Unrestricted	332,905	521,148	854,053
<b>Total net position</b>	<b><u>\$ 2,564,431</u></b>	<b><u>\$ 9,266,197</u></b>	<b><u>\$ 11,830,628</u></b>

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

**CITY OF WALDPOR**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services & Contracts	Operating Grants and Contributions	Capital Grants and Contribution:	Total Governmental Activities	Total Business Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 540,265	\$ 21,710	\$ 1,000	\$ -	\$ (517,555)	\$ -	\$ (517,555)
Public safety	363,776	36,923	-	-	(326,853)	-	(326,853)
Highways and streets	278,490	-	-	-	(278,490)	-	(278,490)
Culture and recreation	354,468	25,009	7,940	19,273	(302,246)	-	(302,246)
Economic development	14,645	-	-	-	(14,645)	-	(14,645)
Interest expense	45,981	-	-	-	(45,981)	-	(45,981)
<b>Total governmental activities</b>	<b>1,597,625</b>	<b>83,642</b>	<b>8,940</b>	<b>19,273</b>	<b>(1,485,770)</b>	<b>-</b>	<b>(1,485,770)</b>
<b>Business-type activities:</b>							
Water	566,423	675,693	232,491	-	-	341,761	341,761
Sewer	635,486	650,411	-	-	-	14,925	14,925
<b>Total business-type activities</b>	<b>1,201,909</b>	<b>1,326,104</b>	<b>232,491</b>	<b>-</b>	<b>-</b>	<b>356,686</b>	<b>356,686</b>
<b>Total government</b>	<b>\$ 2,799,534</b>	<b>\$ 1,409,746</b>	<b>\$ 241,431</b>	<b>\$ 19,273</b>	<b>(1,485,770)</b>	<b>356,686</b>	<b>\$ (1,129,084)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					583,596	-	583,596
Property taxes, levied for dedicated purposes					218,559	-	218,559
Sales tax					55,672	-	55,672
Intergovernmental aid not restricted to specific purposes					62,390	-	62,390
Intergovernmental aid restricted to specific purposes					311,807	-	311,807
Franchise and room taxes					226,759	-	226,759
Gain (Loss) on disposition of capital assets					-	11,484	11,484
Interest and investment earnings					15,884	9,507	25,391
<b>Total General Revenues</b>					<b>1,474,667</b>	<b>20,991</b>	<b>1,495,658</b>
<b>Other</b>							
Transfer in (out)					136,133	(136,133)	-
Contributed capital					(133,230)	133,230	-
<b>Total Other</b>					<b>2,903</b>	<b>(2,903)</b>	<b>-</b>
<b>Changes in net position</b>					<b>(8,200)</b>	<b>374,774</b>	<b>366,574</b>
Net position - beginning of year					2,572,631	8,891,423	11,464,054
Net position - end of year					<b>\$ 2,564,431</b>	<b>\$ 9,266,197</b>	<b>\$ 11,830,628</b>

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

**CITY OF WALDPOR  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018**

	General	Street	Urban Renewal	Urban Renewal Debt Service	Road District	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 515,749	\$ 237,390	\$ 141,633	\$ 95,627	\$ 4,571	\$ 994,970
Investments	167,303	-	-	-	-	167,303
Receivables (net)						76,012
Accounts receivable	63,097	12,915	-	-	-	68,899
Property taxes	50,657	-	-	5,274	12,968	68,899
Inventory	-	13,205	-	-	-	13,205
<b>Total assets</b>	<b>\$ 796,806</b>	<b>\$ 263,510</b>	<b>\$ 141,633</b>	<b>\$ 100,901</b>	<b>\$ 17,539</b>	<b>\$ 1,320,389</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 9,461	\$ 1,398	\$ -	\$ -	\$ -	\$ 10,859
Unearned revenues	11,783	-	-	-	-	11,783
<b>Total liabilities</b>	<b>21,244</b>	<b>1,398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,642</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	47,807	-	-	5,024	12,268	65,099
<b>FUND BALANCES</b>						
Nonspendable	-	13,205	-	-	-	13,205
Restricted	289,150	248,907	141,633	95,877	5,271	780,838
Unassigned	438,604	-	-	-	-	438,604
<b>Total fund balances</b>	<b>727,755</b>	<b>262,112</b>	<b>141,633</b>	<b>95,877</b>	<b>5,271</b>	<b>1,232,648</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 796,806</b>	<b>\$ 263,510</b>	<b>\$ 141,633</b>	<b>\$ 100,901</b>	<b>\$ 17,539</b>	<b>\$ 1,320,389</b>

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

**CITY OF WALDPOR**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

<b>Total fund balances - governmental funds</b>		<b>\$ 1,232,648</b>
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	\$ 2,444,848	
Net pension liability	(220,100)	
Deferred outflows of resources related to pensions	<u>133,532</u>	
		2,358,280
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		65,099
All liabilities are reported in the Statement of Net Position, however, if they are not due and payable in the current period, they are not recorded in the governmental funds:		
Compensated absences payable	(23,353)	
Deferred inflows of resources related to pensions	(19,322)	
Accrued interest payable on note payable	(41,554)	
Bond payable	<u>(1,007,367)</u>	
		<u>(1,091,596)</u>
<b>Total net position - governmental activities</b>		<b><u><u>\$ 2,564,431</u></u></b>

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

**CITY OF WALDPOR**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	General	Street	Urban Renewal	Urban Renewal Debt Service	Road District	Total
<b>Revenues:</b>						
Property taxes	\$ 583,384	\$ -	\$ -	\$ 69,128	\$ 149,031	\$ 801,543
Franchise and room taxes	226,759	-	-	-	-	226,759
Intergovernmental	239,771	134,425	-	-	-	374,196
Sales tax	55,672	-	-	-	-	55,672
Fees, licenses and charges for services	46,720	149,640	-	-	-	196,360
Fines and forfeits	36,923	-	-	-	-	36,923
Interest earnings	8,660	2,647	3,177	1,176	224	15,884
Donations and grants	28,213	-	-	-	-	28,213
<b>Total revenues</b>	<b>1,226,102</b>	<b>286,712</b>	<b>3,177</b>	<b>70,304</b>	<b>149,255</b>	<b>1,735,550</b>
<b>Expenditures:</b>						
Current:						
General government	516,801	-	-	-	-	516,801
Public safety	363,776	-	-	-	-	363,776
Highways and streets	-	175,900	-	-	149,996	325,896
Culture and recreation	296,612	-	-	-	-	296,612
Economic development	10,325	-	137,550	-	-	147,875
Capital outlay	33,608	-	-	-	-	33,608
Debt service	86,053	-	-	-	-	86,053
<b>Total expenditures</b>	<b>1,307,175</b>	<b>175,900</b>	<b>137,550</b>	<b>-</b>	<b>149,996</b>	<b>1,770,621</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(81,073)</b>	<b>110,812</b>	<b>(134,373)</b>	<b>70,304</b>	<b>(741)</b>	<b>(35,071)</b>
<b>Other financing sources (uses):</b>						
Transfer in	302,900	-	-	-	-	302,900
Transfer out	(135,000)	(31,767)	-	-	-	(166,767)
<b>Total other financing sources (uses)</b>	<b>167,900</b>	<b>(31,767)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,133</b>
<b>Net change in fund balances</b>	<b>86,827</b>	<b>79,045</b>	<b>(134,373)</b>	<b>70,304</b>	<b>(741)</b>	<b>101,062</b>
<b>Fund balances at beginning of year</b>	<b>640,928</b>	<b>183,067</b>	<b>276,006</b>	<b>25,573</b>	<b>6,012</b>	<b>1,131,586</b>
<b>Fund balances at end of year</b>	<b>\$ 727,755</b>	<b>\$ 262,112</b>	<b>\$ 141,633</b>	<b>\$ 95,877</b>	<b>\$ 5,271</b>	<b>\$ 1,232,648</b>

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

**CITY OF WALDPOR**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

**Total net change in fund balances - governmental funds** \$ 101,062

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		613
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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	33,608	
Depreciation and dispositions	<u>(155,643)</u>	
		(122,035)

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	(8,073)	
Changes in accrued interest payable	<u>(1,587)</u>	
		(9,660)

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.

(27,518)

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:

Copier Capital Lease	10,853	
Repayment of debt	<u>38,485</u>	
		<u>49,338</u>

<b>Change in net position of governmental activities</b>		<b><u>\$ (8,200)</u></b>
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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, 2018**

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Wastewater	Totals	Public Works Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 67,532	\$ 290,531	\$ 358,063	\$ 161,586
Accounts receivable - net	243,178	45,608	288,786	-
Assessments receivable	-	3,952	3,952	-
Restricted assets - cash	104,167	96,021	200,188	-
Inventory	53,033	6,819	59,852	-
<b>Total current assets</b>	<b>467,910</b>	<b>442,931</b>	<b>910,841</b>	<b>161,586</b>
Capital assets:				
Land	89,757	10,741	100,498	177,223
Water rights	71,613	-	71,613	-
Construction in process	830,700	78,010	908,710	-
Depreciable assets, net of depreciation	2,421,141	5,921,184	8,342,325	566,924
<b>Total capital assets, net</b>	<b>3,413,211</b>	<b>6,009,935</b>	<b>9,423,146</b>	<b>744,147</b>
<b>Total assets</b>	<b>3,881,121</b>	<b>6,452,866</b>	<b>10,333,987</b>	<b>905,733</b>
Deferred outflows of resources				
Deferred amounts related to pensions	-	-	-	137,013
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,881,121</b>	<b>\$ 6,452,866</b>	<b>\$ 10,333,987</b>	<b>\$ 1,042,746</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	\$ 169,862	\$ 6,374	\$ 176,236	\$ 9,414
Compensated absences payable	-	-	-	38,139
Accrued interest payable	2,610	6,898	9,508	9,147
Current portion of revenue bond payable	-	17,825	17,825	-
Current portion of notes payable	42,619	-	42,619	14,689
<b>Total current liabilities</b>	<b>215,091</b>	<b>31,097</b>	<b>246,188</b>	<b>71,389</b>
Long-term liabilities:				
Revenue bond payable (net of current portion)	-	651,098	651,098	-
Notes payable (net of current portion)	464,140	-	464,140	432,061
Net pension liability	-	-	-	225,834
<b>Total long-term liabilities</b>	<b>464,140</b>	<b>651,098</b>	<b>1,115,238</b>	<b>657,895</b>
<b>Total liabilities</b>	<b>679,231</b>	<b>682,195</b>	<b>1,361,426</b>	<b>729,284</b>
Deferred inflows of resources				
Deferred amounts related to pensions	-	-	-	19,826
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 679,231</b>	<b>\$ 682,195</b>	<b>\$ 1,361,426</b>	<b>\$ 749,110</b>
Net position:				
Net investment in capital assets	2,906,452	5,341,012	8,247,464	297,397
Expendable, restricted for:				
System development	82,007	50,603	132,610	-
Unrestricted	213,431	379,056	592,487	(3,761)
<b>Total net position</b>	<b>\$ 3,201,890</b>	<b>\$ 5,770,671</b>	<b>8,972,561</b>	<b>\$ 293,636</b>
Reconciliation to the Statement of Net Position - Business-Type Activities				
Inclusion of Internal Service Fund			293,636	
Net position at end of year, Statement of Net Position - Business-Type Activities			<u>\$ 9,266,197</u>	

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, 2018

	Business-type Activities-Enterprise Funds			Business-type Activities Public Works Internal Service Fund
	Water	Wastewater	Totals	
Operating revenues:				
Charges for services, net of bad debt	\$ 675,695	\$ 650,409	\$ 1,326,104	\$ 867,303
<b>Total operating revenues</b>	<u>675,695</u>	<u>650,409</u>	<u>1,326,104</u>	<u>867,303</u>
Operating expenses:				
Current:				
Personnel services	-	-	-	770,422
Materials and services	457,470	462,240	919,710	65,317
Depreciation	69,439	140,589	210,028	24,745
<b>Total operating expenses</b>	<u>526,909</u>	<u>602,829</u>	<u>1,129,738</u>	<u>860,484</u>
<b>Operating income (loss)</b>	<u>148,786</u>	<u>47,580</u>	<u>196,366</u>	<u>6,819</u>
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	(29,564)	-	(29,564)	11,484
Grants & contributions	232,491	-	232,491	-
Interest earnings	2,901	4,957	7,858	1,649
Interest expense	(5,416)	(28,122)	(33,538)	(15,888)
<b>Total nonoperating revenues (expenses)</b>	<u>200,412</u>	<u>(23,165)</u>	<u>177,247</u>	<u>(2,755)</u>
<b>Income (loss) before transfers and contributions</b>	<u>349,198</u>	<u>24,415</u>	<u>373,613</u>	<u>4,064</u>
Transfers and contributions:				
Transfers out	(73,523)	(62,610)	(136,133)	-
Contributed capital	-	133,230	133,230	-
<b>Change in net position</b>	<u>275,675</u>	<u>95,035</u>	<u>370,710</u>	<u>4,064</u>
<b>Net position at beginning of year</b>	<u>2,926,215</u>	<u>5,675,636</u>	<u>8,601,851</u>	<u>289,572</u>
<b>Net position at end of year</b>	<u>\$ 3,201,890</u>	<u>\$ 5,770,671</u>	<u>\$ 8,972,561</u>	<u>\$ 293,636</u>
<b>Reconciliation of change in net position on the Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Funds to the change in net position on the Statement of Activities - Business-Type Activities</b>				
Change in net position - Proprietary Funds			\$ 370,710	
Inclusion of Internal Service Fund			<u>4,064</u>	
<b>Change in net position - Business-Type Activities</b>			<u>\$ 374,774</u>	

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

**CITY OF WALDPOR**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**For the Fiscal Year Ended June 30, 2018**

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Wastewater	Totals	Public Works Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 666,295	\$ 650,411	\$ 1,316,706	\$ -
Receipts from interfund services provided	-	-	-	867,303
Cash paid to employees	-	-	-	(771,612)
Cash paid to suppliers	(508,408)	(454,544)	(962,952)	(32,749)
Net cash provided (used) by operating activities	<u>157,887</u>	<u>195,867</u>	<u>353,754</u>	<u>62,942</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(73,523)	(62,610)	(136,133)	-
Net cash provided (used) by noncapital financing activities:	<u>(73,523)</u>	<u>(62,610)</u>	<u>(136,133)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Grant, loan and insurance proceeds	381,870	-	381,870	-
Purchase of capital assets	(435,235)	(57,544)	(492,779)	-
Interest paid	(5,416)	(28,122)	(33,538)	(16,179)
Principal payments on long-term debt	(33,803)	(17,296)	(51,099)	(14,191)
Net cash provided (used) by capital and related financing activities	<u>(92,584)</u>	<u>(102,962)</u>	<u>(195,546)</u>	<u>(30,370)</u>
Cash flows from investing activities:				
Proceeds from the sale of capital assets	-	-	-	14,669
Interest on investments	2,901	4,957	7,858	1,649
Net cash provided (used) by investing activities:	<u>2,901</u>	<u>4,957</u>	<u>7,858</u>	<u>16,318</u>
Net increase (decrease) in cash and cash equivalents	(5,319)	35,252	29,933	48,890
Cash and cash equivalents at beginning of year (including restricted cash of \$162,129)	<u>177,018</u>	<u>351,300</u>	<u>528,318</u>	<u>112,696</u>
Cash and cash equivalents at end of year (including restricted cash of \$200,188)	<u>\$ 171,699</u>	<u>\$ 386,552</u>	<u>\$ 558,251</u>	<u>\$ 161,586</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 148,786	\$ 47,580	\$ 196,366	\$ 6,819
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	69,439	140,589	210,028	24,745
Change in assets and liabilities:				
Accounts receivable	(165,149)	3,139	(162,010)	-
Inventory	(9,110)	(1,315)	(10,425)	-
Assessments receivable	-	-	-	-
Accounts payable	113,921	5,874	119,795	6,671
Deferred inflow/outflows related to pension	-	-	-	22,106
Accrued payroll and benefits	-	-	-	2,601
Net cash provided (used) by operating activities	<u>\$ 157,887</u>	<u>\$ 195,867</u>	<u>\$ 353,754</u>	<u>\$ 62,942</u>

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

*NOTES TO THE BASIC FINANCIAL STATEMENT*

**CITY OF WALDPORT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 City Council-City Manager form of government consisting of seven elected members and a City 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 wastewater services to its customers and this category reports the activities of the proprietary funds.

**CITY OF WALDPOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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.

## CITY OF WALDPOR

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2018

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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.

**Wastewater 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 non-operating 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 non-operating 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 "inter-fund receivables/payables" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund 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 Wastewater Funds and represents the portion of receivables not expected to be collected.

CITY OF WALDPOR

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

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 wastewater 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, 2018, the City had \$592,614 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. 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 wastewater 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.

## CITY OF WALDPOR

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2018

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.

#### 7. *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 wastewater 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.

**CITY OF WALDPOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**11. Fund Balance**

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

**Non-spendable**—Amounts that cannot be spent either because they are in non-spendable 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, 2018, for donor or grantor stipulated purposes was \$994,633.

**Unrestricted net position** - all other net position is reported in this category.

## CITY OF WALDPOR

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2018

#### 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, 2018, 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 entity reports its proportionate share of the cumulative net pension liability.

For the purposes of measuring the net pension liability, deferred outflows of 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. 77, Tax Abatement Disclosures*, issued August 2015, effective for the City as of fiscal year ending June 30, 2018, establishes disclosure requirements for governments offering tax abatements.

Lincoln County, Lincoln City, Newport, Toledo, and Waldport together successfully applied for an enterprise zone, which was designated as the Lincoln County Enterprise Zone by the Director of Business Oregon on July 1, 2010. Economic Development Alliance of Lincoln County acts as Local Zone Manager. The enterprise zone provides three to five year property tax exemptions for new investments in plant and equipment by eligible business firms to increase employment opportunities, to raise local incomes, to attract investments by new and existing businesses and to secure and diversify the local economic base. However, the gross dollar amount of property taxes abated for the fiscal year was zero.

## 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.

## CITY OF WALDPOR

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018. 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, 2018, the carrying amounts of the City's deposits in various financial institutions were \$243,973 and the bank balance was \$275,975. Of the bank balance, \$250,000 was insured by the Federal Deposit Insurance Corporation and each type of account 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 a bank TCD which is insured by the Federal Deposit Insurance Corporation and in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during fiscal year 2018. 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.

CITY OF WALDPOR

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit - 18 months (restricted)	1 - 5 years	\$ 167,303
Total Investments		<u>\$ 167,303</u>

**CITY OF WALDPOR**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

Bank deposits	\$ 1,714,807
Investments	167,303
Total	<u>\$ 1,882,110</u>

**Balance Sheet**

<b>Governmental Funds:</b>	
General Fund (includes restricted cash of \$289,150)	\$ 683,050
Street Fund (includes restricted cash of \$7,650)	237,390
Urban Renewal Construction Fund	141,634
Urban Renewal Debt Service Fund	95,627
Road District	4,572
	<u>1,162,273</u>
<b>Proprietary Funds:</b>	
Water Fund (includes restricted cash of \$104,167)	171,698
Wastewater Fund (includes restricted cash of \$96,021)	386,553
Public Works Fund	161,586
	<u>719,837</u>
Total	<u>\$ 1,882,110</u>

**B. Receivables**

Receivables as of fiscal year end are as follows:

Governmental Activities:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Urban Renewal Debt Service Fund</u>	<u>Road District Fund</u>	<u>Totals</u>
Accounts receivable	\$ 63,097	\$ 12,915	\$ -	\$ -	\$ 76,012
Property taxes	50,657	-	5,274	12,968	68,899
Total Government receivables	<u>\$ 113,754</u>	<u>\$ 12,915</u>	<u>\$ 5,274</u>	<u>\$ 12,968</u>	<u>\$ 144,911</u>

**CITY OF WALDPORT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
Accounts receivable	\$ 257,852	\$ 60,282	\$ 318,134
Assessments receivable		3,952	3,952
Less allowance for doubtful accounts	<u>(14,674)</u>	<u>(14,674)</u>	<u>(29,348)</u>
 Net business-type accounts receivable	 <u>\$ 243,178</u>	 <u>\$ 49,560</u>	 <u>\$ 292,738</u>

All non-current property taxes and special assessments receivable are treated as deferred inflows of resources in the governmental funds. Accounts receivable for the Business-type Funds are reported on the Statement of Net Position net of \$29,348 allowance for uncollectibles. 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 2017-18, 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 \$510,900 for general operations and a levy for bonded indebtedness of \$86,053.

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 2017-18, the Agency assessed \$71,171.

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 \$152,434.

**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, 2018, 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 \$47,807, \$5,024, and \$12,268, respectively.

**CITY OF WALDPOR**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**D. Capital Assets**

Capital asset activity for the City for the fiscal year ended June 30, 2018, was as follows:

Governmental activities:	Balance 6/30/2017	Additions / Transfers	Deletions / Transfers	Balance 6/30/2018
<i><u>Nondepreciable capital assets</u></i>				
Land	\$ 205,694	\$ -	\$ -	\$ 205,694
Construction in progress	21,712	2,411	(18,418)	5,705
<b>Total nondepreciable capital assets</b>	<b>227,406</b>	<b>2,411</b>	<b>(18,418)</b>	<b>211,399</b>
<i><u>Depreciable capital assets</u></i>				
Buildings	972,171	-	-	972,171
Street and storm systems	2,592,135	-	-	2,592,135
Park system	654,841	49,615	-	704,456
Equipment	29,330	10,753	7,540	32,543
<b>Total depreciable capital assets</b>	<b>4,248,477</b>	<b>60,368</b>	<b>7,540</b>	<b>4,301,305</b>
<i><u>Less accumulated depreciation for</u></i>				
Buildings	(594,571)	(19,273)	-	(613,844)
Street and storm systems	(1,063,343)	(102,235)	-	(1,165,578)
Park system	(214,415)	(51,154)	-	(265,569)
Equipment	(28,204)	(2,201)	(7,540)	(37,945)
<b>Total accumulated depreciation</b>	<b>(1,900,533)</b>	<b>(174,863)</b>	<b>(7,540)</b>	<b>(2,082,936)</b>
<b>Net depreciable capital assets</b>	<b>2,347,944</b>	<b>(114,495)</b>	<b>-</b>	<b>2,218,369</b>
<b>Net governmental capital assets</b>	<b>\$ 2,575,350</b>	<b>\$ (112,084)</b>	<b>\$ (18,418)</b>	<b>\$ 2,429,768</b>

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

General government	\$ 8,530
Culture and recreation	64,098
Highways and streets	102,235
	<u>\$ 174,863</u>

**CITY OF WALDPORT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

Business-type Activites	<u>Balance 6/30/2017</u>	<u>Additions / Transfers</u>	<u>Deletions / Transfers</u>	<u>Balance 6/30/2018</u>
<i><u>Nondepreciable capital assets</u></i>				
Land	\$ 277,721	\$ -	\$ -	\$ 277,721
Water rights	66,143	5,470	-	71,613
Construction in progress	459,360	466,628	17,278	908,710
Total nondepreciable capital assets	<u>803,224</u>	<u>472,098</u>	<u>17,278</u>	<u>1,258,044</u>
<i><u>Depreciable capital assets</u></i>				
Buildings	558,506	-	-	558,506
Utility systems	12,927,383	171,178	35,590	13,062,971
Equipment	427,220	-	41,962	385,258
Total depreciable capital assets	<u>13,913,109</u>	<u>171,178</u>	<u>77,552</u>	<u>14,006,735</u>
<i><u>Less accumulated depreciation for</u></i>				
Buildings	(55,839)	(11,170)	-	(67,009)
Utility systems	(4,516,644)	(210,028)	6,026	(4,720,646)
Equipment	(335,033)	(13,575)	38,777	(309,831)
Total accumulated depreciation	<u>(4,907,516)</u>	<u>(234,773)</u>	<u>44,803</u>	<u>(5,097,486)</u>
Net depreciable capital assets	<u>9,005,593</u>	<u>(63,595)</u>	<u>(32,749)</u>	<u>8,909,249</u>
Net governmental capital assets	<u>\$ 9,808,817</u>	<u>\$ 408,503</u>	<u>\$ (50,027)</u>	<u>\$ 10,167,293</u>

**E. Long-Term Debt**

**Business-Type Activities:**

**Revenue Bonds.** Revenue bonds are an obligation of the City payable from net income of the Wastewater Fund. The Debt Reserve requirement is \$45,418 and the City was in compliance for the fiscal year 2017-2018. 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 wastewater improvements

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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<u>Fiscal Year</u>	<u>USDA #92-08 payable from Sewer Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018-19	\$ 45,418	\$ 17,825	\$ 27,593
2019-20	45,418	18,560	26,858
2020-21	45,418	19,326	26,092
2021-22	45,418	20,123	25,295
2022-23	45,418	20,953	24,465
2023-28	227,090	118,465	108,625
2028-33	227,090	145,000	82,090
2033-38	227,090	177,477	49,613
2038-42	142,665	131,194	11,470
<b>Total</b>	<b><u>\$ 1,051,025</u></b>	<b>668,923</b>	<b><u>\$ 382,101</u></b>
<b>Less current portion</b>		<b><u>(17,825)</u></b>	
		<b><u>\$ 651,098</u></b>	

**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 Wastewater 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, 2018.

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

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Fiscal Year	OBDD #S01008 Payable from Water Fund		
	Total	Principal	Interest
2018-19	\$ 20,145	\$ 17,352	\$ 2,793
2019-20	20,145	17,525	2,620
2020-21	20,145	17,701	2,444
2021-22	20,145	17,878	2,267
2022-23	20,145	18,056	2,089
2023-28	100,725	93,027	7,698
2028-33	101,351	97,775	3,576
<b>Total</b>	<b>\$ 302,801</b>	<b>279,313</b>	<b>\$ 23,488</b>
Less current portion		(17,352)	
		<b>\$ 261,962</b>	

Issue date: August 2, 2017  
Approved amount: \$247,600  
Interest rate: 1%  
Purpose: Water Source Improvements

Fiscal Year	OBDD #516019 Payable from Water Fund		
	Total	Principal	Interest
2018-19	\$ 11,243	\$ 9,725	\$ 1,518
2019-20	11,243	9,822	1,421
2020-21	11,243	9,920	1,323
2021-22	11,243	10,019	1,224
2022-23	11,243	10,120	1,123
2023-28	56,215	52,137	4,078
2028-33	51,498	50,079	1,419
<b>Total</b>	<b>\$ 163,928</b>	<b>151,822</b>	<b>\$ 12,107</b>
Less current portion		(9,725)	
		<b>\$ 142,097</b>	

The City of Waldport has been approved for \$247,600 payable over 25 years. This schedule represents the amount taken as of June 30, 2018 which is \$151,822. Additional funds may be borrowed in the future resulting in an annual liability of \$11,243 continuing until the loan is paid in full.

Issue date: January 15, 2013  
 Original amount: \$165,000  
 Interest rate: variable; 3.0% at June 30, 2018  
 Purpose: Water reservoir rehabilitation

Fiscal Year	Umpqua #70011654 Payable from Water Fund		
	Total	Principal	Interest
2018-19	\$ 18,626	\$ 16,500	\$ 2,126
2019-20	18,162	16,500	1,662
2020-21	17,698	16,500	1,198
2021-22	17,234	16,500	734
2022-23	9,721	9,625	96
	-	-	-
	<u>\$ 81,442</u>	75,625	<u>\$ 5,817</u>
Less current portion		<u>(16,500)</u>	
		<u>\$ 59,125</u>	

The interest rate on this note is subject to change. The loan is associated with an 18-month certificate of deposit held by the lender until the loan has been paid in full. On the maturity date of the CD, the interest rate will change by the CD interest rate on that day plus an index of 2.55 percent. At June 30, 2018, the current CD rate is 0.15 percent plus the index rate, resulting in a rate of 3.0 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
2018-19	\$ 30,370	\$ 14,689	\$ 15,681
2019-20	30,370	15,205	15,165
2020-21	30,370	15,738	14,632
2021-22	30,370	16,291	14,079
2022-23	30,370	16,863	13,507
2023-28	151,850	93,617	58,233
2028-33	151,850	111,242	40,608
2033-38	151,850	132,184	19,666
2038-39	32,199	30,923	1,276
Total	<u>\$ 639,599</u>	446,751	<u>\$ 192,847</u>
Less current portion		<u>(14,689)</u>	
		<u>\$ 432,062</u>	

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Business Oregon Infrastructure Finance Authority requires the principal and interest to be paid solely from the net revenues of the Water and Wastewater 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 2017-2018, the City was in compliance.

**Governmental Activities:**

**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 2016-2018. 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: Wastewater plant construction

Fiscal Year	USDA Payable from General Fund		
	Total	Principal	Interest
2018-19	\$ 86,053	\$ 40,711	\$ 45,342
2019-20	86,053	42,576	43,477
2020-21	86,053	44,492	41,561
2021-22	86,053	46,494	39,559
2022-23	86,053	48,586	37,467
2023-28	430,265	277,764	152,501
2028-33	430,265	346,144	84,121
2033-35	171,121	160,600	10,520
 Total	 \$ 1,461,916	 1,007,367	 \$ 454,549
 Less current portion		 (40,711)	
		 \$ 966,655	

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The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2018:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>	<u>Amount due within one year</u>
<b>Business-type Activities:</b>					
Revenue bond - USDA	\$ 686,042	\$ -	\$ 17,119	\$ 668,923	\$ 17,825
Note payable - OBDD	296,493	-	17,180	279,313	17,352
Note payable - BOIFA	460,941	-	14,191	446,750	14,689
Note payable - OBDD	2,443	149,379	-	151,822	8,767
Note payable - Umpqua	92,125	-	16,500	75,625	16,500
<b>Total business-type activities</b>	<u>1,538,044</u>	<u>149,379</u>	<u>64,990</u>	<u>1,622,433</u>	<u>75,133</u>
<b>Governmental Activities:</b>					
General obligation bonds	1,045,852	-	38,485	1,007,367	40,711
<b>Total governmental activities</b>	<u>1,045,852</u>	<u>-</u>	<u>38,485</u>	<u>1,007,367</u>	<u>40,711</u>
<b>Total</b>	<u>\$2,583,896</u>	<u>\$ 149,379</u>	<u>\$ 103,475</u>	<u>\$2,629,800</u>	<u>\$ 115,844</u>

**Changes in other liabilities.** The following is a summary of changes in other liabilities during the fiscal year ended June 30, 2018:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>	<u>Amount due within one year</u>
<b>Governmental Activities:</b>					
Vacation payable	<u>\$ 31,426</u>	<u>\$ 28,745</u>	<u>\$ 36,818</u>	<u>\$ 23,353</u>	<u>\$ 23,353</u>
<b>Business-type Activities:</b>					
Vacation payable	<u>\$ 35,539</u>	<u>\$ 37,686</u>	<u>\$ 35,085</u>	<u>\$ 38,140</u>	<u>\$ 38,140</u>

**CITY OF WALDPOR**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 Deb Service Fund	Road District Fund	Total
<b>Nonspendable:</b>						
Inventory	\$ -	\$ 13,205	\$ -	\$ -	\$ -	\$ 13,205
<b>Restricted:</b>						
Collateral	165,000	-	-	-	-	165,000
Debt service	95,143	-	-	95,877	-	191,020
Streets	-	241,257	-	-	-	241,257
Footpaths and bicycle trails	-	7,650	-	-	5,271	12,921
System development-parks	29,007	-	-	-	-	29,007
Urban renewal projects	-	-	141,633	-	-	141,633
<b>Unassigned:</b>	438,604	-	-	-	-	438,604
	<u>\$ 727,754</u>	<u>\$ 262,112</u>	<u>\$ 141,633</u>	<u>\$ 95,877</u>	<u>\$ 5,271</u>	<u>\$ 1,232,647</u>

**I. 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
<b>Net assets restricted for:</b>					
Streets	\$ -	\$ 254,462	\$ -	\$ 5,271	\$ 259,733
Footpaths and bicycle trails	-	7,650	-	-	7,650
Urban renewal construction	-	-	141,633	-	141,633
Urban renewal debt service	-	-	95,877	-	95,877
System development-parks	29,007	-	-	-	29,007
	<u>\$ 29,007</u>	<u>\$ 262,112</u>	<u>\$ 237,510</u>	<u>\$ 5,271</u>	<u>\$ 533,900</u>
<b>Business-type activities:</b>					
		Water	Waste Water	Total	
<b>Net assets restricted for:</b>					
System development		<u>\$ 82,007</u>	<u>\$ 50,603</u>	<u>\$ 132,610</u>	

**CITY OF WALDPOR**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**H. Interfund Transfers**

	Transfer out	Transfer in
<b>Governmental Activities:</b>		
General Fund	\$ 135,000	\$ 167,900
Community Fund	-	135,000
Street Fund	31,767	-
	166,767	302,900
<b>Business-type Activities:</b>		
Water Fund	73,523	-
Wastewater Fund	62,610	-
	136,133	-
<b>Total</b>	<b>\$ 302,900</b>	<b>\$ 302,900</b>

The transfers from the Water, Wastewater 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.

**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). OPERF issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

**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.

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**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 12.46 percent for Tier 1 and Tier II employees and 5.07 percent for OPSRP members for the fiscal year.

Employer contribution rates during the period were based on the December 31, 2016, 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, 2018, were \$112,762. This consisted of \$63,730 from the City and \$49,033 paid by the City on behalf of employees. These added to the City's fiduciary net position.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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***Pension Assets, Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:***

At June 30, 2017, the City reported a liability of \$445,934 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to June 30, 2017. 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, 2017, the City's proportion was 0.00330811 percent, which was an increase of 0.00128080 percent from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the City's actuarially determined pension expense was \$96,141. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,566	\$ -
Changes in assumptions	81,286	-
Net difference between projected and actual earnings on investments	4,594	-
Changes in proportion and differences between employer contributions and proportionate share of system contributions	-	-
	103,812	39,148
Contributions subsequent to the MD	59,284	-
 Total	 \$ 270,542	 \$ 39,148

The \$270,542 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, 2018.

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

2019	\$ 34,619
2020	70,311
2021	51,976
2022	8,271
2023	6,932
Thereafter	-
 Total	 \$ 172,109

***Actuarial Assumptions***

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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),

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(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, 2015, actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.5 percent
Long-term expected rate of return	7.5 percent
Discount rate	7.5 percent
Projected salary increases	3.5 percent
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25% / .15%) in accordance with Moro decision; blended based on service.
Mortality	<p><b>Healthy retirees and beneficiaries:</b></p> <p>RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b></p> <p>Mortality rates are a percentage of healthy retirees rates that vary by group, as described in the valuation .</p> <p><b>Disabled retirees:</b></p> <p>Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

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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	14	21	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	0	12.5	12.5
Opportunity Portfolio	0	3	0%
Total			100

**Long-Term Expected Rate of Return:**

Assets Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.10%
Short-Term Bonds	8.00	3.65
Bank/Leveraged Loans	3.00	5.69
High Yield Bonds	1.00	6.67
Large/Mid Cap US Equities	15.75	7.96
Small Cap US Equities	1.31	8.93
Micro Cap US Equities	1.31	9.37
Developed Foreign Equities	13.13	8.34
Emerging Foreign Equities	4.12	10.56
Non-US Small Cap Equities	1.88	9.01
Private Equity	17.50	11.60
Real Estate (Property)	10.00	6.84
Real Estate (REITS)	2.50	8.74
Hedge Fund of Funds - Diversified	2.50	4.94
Hedge Fund of Funds - Event-driven	0.63	7.07
Timber	1.88	6.60
Farmland	1.88	7.11
Infrastructure	3.75	8.31
Commodities	1.88	6.07
Assumed Inflation - Mean		2.50%

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**JUNE 30, 2018 Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. Prior year was 7.75 percent. 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.

<b>Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL/(A)]</b>	<b>6/30/2017</b>
Actuarial Valuation Date (liability rolled forward to MD)	12/31/2015
Discount rate	7.50%
Employer's proportionate share at prior MD	0.00202731%
Employer's proportionate date at MD	0.00330811%
Employer's proportionate share of system NPL/(A) at prior MD	\$ 304,346
Employer's proportionate share of system NPL/(A) at MD	\$ 445,934
Sensitivity: NPL/(A) using discount rate 1.00% lower	\$ 759,954
Sensitivity: NPL/(A) using discount rate 1.00% higher	\$ 183,356

**Employer Pension Expense for Measurement Period**

Employer's proportionate share of system Pension Expense/(Income)	\$ 96,141
Net Amortization of deferred amounts from:	
Changes in proportionate share	7,784
Differences between employer contributions and employer's proportionate share of system contributions	<u>5,659</u>
Employer's Total Pensions Expense/(Income)	<u>\$ 109,584</u>

**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.

The assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 8, 2017; however on July 28, 2017 Oregon's Public Employees Retirement System Board lowered the assumed earnings rate from 7.5% to 7.2%, effective date of January 1, 2018, adding 2.1 billion to the system's unfunded liability. The unfunded liability is now 24.1 billion, an increase in employers' contribution will be needed. The amount of increase is unknown at this date.

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**OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the City evaluated the reporting issues of GASB 75. The amounts were not material to the financial statements and the City determined that until such time that they became material, the City would not report them in the City's financial statements.

**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. Beginning July 1, 2018, the City selected Brown & Brown Northwest Insurance as their Insurance Agent of Record.

**E. Commitments**

At June 30, 2018, the City is involved in the various phases of improvement projects. The significant contract and remaining amount is shown below:

<u>Fund</u>	<u>Description</u>	<u>Original Contract Amount</u>	<u>Outstanding Contract Amount</u>	<u>Percentage of Completion</u>
Water Fund	Westech Engineering	\$ 75,000	\$ 34,725	54%
Water Fund	Westech Engineering	\$ 64,000	\$ 17,128	73%
Water Fund	Pacific Excavation	\$248,178	\$ 96,125	61%
Wastewater Fund	Westech Engineering	95,000	84,027	12%
		<u>\$482,178</u>	<u>\$ 232,005</u>	

**F. Subsequent Events**

As of July 1, 2018 the City Council by Resolution #1236 transferred the Community Fund into the General Fund since the Community Fund no longer meets the criteria of a special revenue fund as defined by Governmental Accounting Standards Board Statement #54

*REQUIRED SUPPLEMENTARY INFORMATION*

**CITY OF WALDPOR, OREGON  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FOR THE LAST FIVE 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
2013	0.00335815%	\$ 171,371	\$ 651,864	26.29%	92%
2014	0.00335815%	\$ (76,120)	\$ 655,695	-11.61%	103.6%
2015	0.00286248%	\$ 164,348	\$ 659,695	20.37%	91.9%
2016	0.00202731%	\$ 304,346	\$ 756,696	40.22%	80.5%
2017	0.33081100%	\$ 445,934	\$ 800,362	55.72%	83.1%

**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%
2017	\$ 88,854	\$ 88,854	\$ -	\$ 800,362	11.1%
2018	\$ 112,762	\$ 112,762	\$ -	\$ 843,890	13.4%

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.

**CITY OF WALDPOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**MAJOR FUNDS**

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**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.

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

**Debt Service Funds**

**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.

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 576,590	\$ 576,590	\$ 583,382	\$ 6,792
Franchise and room taxes	175,000	175,000	226,759	51,759
Intergovernmental	57,000	57,000	62,390	5,390
Sales tax	20,000	20,000	55,672	35,672
Fees and charges for services	25,861	25,861	7,849	(18,012)
Licenses and permits	13,200	13,200	13,862	662
Fines and forfeits	16,600	16,600	36,923	20,323
Interest earnings	2,700	2,700	8,660	5,960
Donations and grants	-	37,700	1,000	(36,700)
<b>Total revenues</b>	<u>886,951</u>	<u>924,651</u>	<u>996,497</u>	<u>71,846</u>
<b>Expenditures:</b>				
General government:				
Administration	455,323	455,323	443,116	12,207
Land use planning	64,466	76,466	73,685	2,781
Public safety	370,400	375,400	363,776	11,624
Debt service	86,053	86,053	86,053	-
Contingency	58,072	42,072	-	42,072
<b>Total expenditures</b>	<u>1,034,314</u>	<u>1,035,314</u>	<u>966,630</u>	<u>68,684</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(147,363)</u>	<u>(110,663)</u>	<u>29,867</u>	<u>140,530</u>
<b>Other financing sources (uses):</b>				
Interfund loan	-	-	-	-
Transfer in	167,900	167,900	167,900	-
Transfer out	(133,500)	(135,000)	(135,000)	-
<b>Total other financing sources (uses)</b>	<u>34,400</u>	<u>32,900</u>	<u>32,900</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>(112,963)</u>	<u>(77,763)</u>	<u>62,767</u>	<u>140,530</u>
<b>Fund balance at beginning of year</b>	<u>402,700</u>	<u>402,700</u>	<u>463,582</u>	<u>60,882</u>
<b>Fund balance at end of year</b>	<u>\$ 289,737</u>	<u>\$ 324,937</u>	<u>526,349</u>	<u>\$ 201,412</u>

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**STREET FUND**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 120,000	\$ 120,000	\$ 134,425	\$ 14,425
Grant proceeds	-	-	-	-
Charges for services	149,900	149,900	149,640	(260)
Interest earning	700	700	2,647	1,947
<b>Total revenues</b>	<u>270,600</u>	<u>270,600</u>	<u>286,712</u>	<u>16,112</u>
Expenditures:				
Highways and streets:				
Materials and services	257,600	257,600	176,447	81,153
Capital outlay	-	-	-	-
Contingency	22,223	22,223	-	22,223
<b>Total expenditures</b>	<u>279,823</u>	<u>279,823</u>	<u>176,447</u>	<u>103,376</u>
Excess (deficiency) of revenues over (under) expenditures	(9,223)	(9,223)	110,265	119,488
Other financing sources (uses):				
Transfer out	(31,767)	(31,767)	(31,767)	-
Net change in fund balance	(40,990)	(40,990)	78,498	119,488
Fund balance at beginning of year	153,400	153,400	181,176	27,776
Fund balance at end of year	<u>\$ 112,410</u>	<u>\$ 112,410</u>	259,674	<u>\$ 147,264</u>
Reconciliation to generally accepted accounting principles basis:				
Adjust for change in inventory			2,438	
GAAP basis fund balance			<u>\$ 262,112</u>	

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**URBAN RENEWAL FUND**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Interest earnings	\$ 1,000	\$ 1,000	\$ 3,177	\$ 2,177
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>3,177</u>	<u>2,177</u>
Expenditures:				
UR #1 Construction	75,000	75,000	4,320	70,680
UR #2 Construction	485,150	600,150	133,230	466,920
UR #3 Construction	-	-	-	-
Contingency	29,250	29,250	-	29,250
Total expenditures	<u>589,400</u>	<u>704,400</u>	<u>137,550</u>	<u>566,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(588,400)</u>	<u>(703,400)</u>	<u>(134,373)</u>	<u>569,027</u>
Other financing sources (uses):				
Transfer out	-	-	-	-
Loan Proceeds	440,000	440,000	-	(440,000)
Total other financing sources (uses):	<u>440,000</u>	<u>440,000</u>	<u>-</u>	<u>(440,000)</u>
Net change in fund balance	(148,400)	(263,400)	(134,373)	129,027
Fund balance at beginning of year	<u>149,100</u>	<u>264,100</u>	<u>276,006</u>	<u>11,906</u>
Fund balance at end of year	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 141,633</u>	<u>\$ 140,933</u>

See auditor's report.

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD DISTRICT FUND**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 147,100	\$ 147,100	\$ 149,032	\$ 1,932
Interest earnings	100	100	223	123
Total revenues	<u>147,200</u>	<u>147,200</u>	<u>149,255</u>	<u>2,055</u>
Expenditures:				
Highway and streets:				
Materials and services	<u>150,400</u>	<u>150,400</u>	<u>149,996</u>	<u>404</u>
Net change in fund balance	(3,200)	(3,200)	(741)	2,459
Fund balance at beginning of year	<u>3,200</u>	<u>3,200</u>	<u>6,012</u>	<u>2,812</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,271</u></u>	<u><u>\$ 5,271</u></u>

See auditor's report.

*SUPPLEMENTARY INFORMATION*

**CITY OF WALDPOR**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**BUDGETARY FUND**

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

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

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**COMMUNITY FUND**  
For the Fiscal Year Ended June 30, 2018

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 21,580	\$ 21,580	\$ 25,011	\$ 3,431
Intergovernmental revenue	177,381	177,381	177,381	-
Donations and grants	34,315	34,315	27,213	(7,102)
	<u>233,276</u>	<u>233,276</u>	<u>229,605</u>	<u>(3,671)</u>
Total revenues				
Expenditures:				
Personnel services	203,650	203,650	192,030	11,620
Materials and services	134,787	136,737	114,907	21,830
Capital outlay	51,568	60,686	33,608	27,078
Contingency	12,971	12,971	-	12,971
	<u>402,976</u>	<u>414,044</u>	<u>340,545</u>	<u>73,499</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(169,700)	(180,768)	(110,940)	69,828
Other financing sources (uses):				
Transfer in	133,500	135,000	135,000	-
Net change in fund balance	(36,200)	(45,768)	24,060	69,828
Fund balance at beginning of year	114,000	181,603	177,346	(4,257)
Fund balance at end of year	<u>\$ 77,800</u>	<u>\$ 135,835</u>	<u>\$ 201,406</u>	<u>\$ 65,571</u>

See auditor's report.

**CITY OF WALDPORT**  
**COMBINING BALANCE SHEET (GENERAL FUND AND COMMUNITY FUND)**  
**FOR GAAP BASIS PRESENTATION\***  
**June 30, 2018**

	<u>General</u>	<u>Community</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 326,927	\$ 188,822	\$ 515,749
Investments	167,303	-	167,303
Receivables (net)			
Accounts receivable	47,652	15,445	63,097
Property taxes	50,657	-	50,657
<b>Total assets</b>	<u>592,539</u>	<u>204,267</u>	<u>796,806</u>
<b>LIABILITIES</b>			
Accounts payable	6,600	2,861	9,461
Unearned revenues	11,783	-	11,783
<b>Total liabilities</b>	<u>18,383</u>	<u>2,861</u>	<u>21,244</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	47,807	-	47,807
<b>FUND BALANCES</b>			
Restricted	260,143	29,007	289,150
Assigned	-	153,062	153,062
Unassigned	266,206	19,337	285,543
<b>Total fund balances</b>	<u>526,349</u>	<u>201,406</u>	<u>727,755</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 592,539</u>	<u>\$ 204,267</u>	<u>\$ 796,806</u>

\*The Community Fund does not meet the criteria for a Special Revenue Fund under Governmental Account Standards Board Statement #54 as it does not have a specific, outside revenue stream. However, it meets 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 WALDPOR**  
**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, 2018**

	<u>General</u>	<u>Community</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenues:</b>				
Property taxes	\$ 583,383	\$ -	\$ -	\$ 583,383
Franchise and room taxes	226,759	-	-	226,759
Intergovernmental	62,390	177,381	-	239,771
Sales tax	55,672	-	-	55,672
Fees, licenses and charges for services	21,710	25,011	-	46,721
Fines and forfeits	36,923	-	-	36,923
Interest earnings	8,660	-	-	8,660
Donations and grants	1,000	27,213	-	28,213
<b>Total revenues</b>	<u>996,497</u>	<u>229,605</u>	<u>-</u>	<u>1,226,102</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	516,801	-	-	516,801
Public safety	363,776	-	-	363,776
Culture and recreation	-	296,612	-	296,612
Economic development	-	10,325	-	10,325
Capital outlay	-	33,608	-	33,608
Debt service	86,053	-	-	86,053
<b>Total expenditures</b>	<u>966,630</u>	<u>340,545</u>	<u>-</u>	<u>1,307,175</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>29,867</u>	<u>(110,940)</u>	<u>-</u>	<u>(81,073)</u>
<b>Other financing sources (uses):</b>				
Transfer in	167,900	135,000	-	302,900
Transfer out	<u>(135,000)</u>	<u>-</u>	<u>-</u>	<u>(135,000)</u>
<b>Total other financing sources (uses)</b>	<u>32,900</u>	<u>135,000</u>	<u>-</u>	<u>167,900</u>
<b>Net change in fund balances</b>	62,767	24,060	-	86,827
<b>Fund balances at beginning of year</b>	<u>463,582</u>	<u>177,346</u>	<u>-</u>	<u>640,928</u>
<b>Fund balances at end of year</b>	<u>\$ 526,349</u>	<u>\$ 201,406</u>	<u>\$ -</u>	<u>\$ 727,755</u>

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

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**URBAN RENEWAL DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Tax increment revenues	\$ 62,600	\$ 62,600	\$ 69,128	\$ 6,528
Interest	300	300	1,176	876
Total revenues	<u>62,900</u>	<u>62,900</u>	<u>70,304</u>	<u>7,404</u>
Expenditures:				
Debt service	<u>24,043</u>	<u>24,043</u>	-	<u>24,043</u>
Total expenditures	<u>24,043</u>	<u>24,043</u>	-	<u>24,043</u>
Excess of (deficiency) of revenues over (under) expenditures	38,857	38,857	70,304	31,447
Other financing sources (uses):				
Transfer in	<u>35,000</u>	<u>35,000</u>	-	<u>(35,000)</u>
Net change in fund balance	73,857	73,857	70,304	(3,553)
Fund balance at beginning of year	<u>23,000</u>	<u>23,000</u>	<u>25,573</u>	<u>2,573</u>
Fund balance at end of year	<u><u>\$ 96,857</u></u>	<u><u>\$ 96,857</u></u>	<u><u>\$ 95,877</u></u>	<u><u>\$ (980)</u></u>

See auditor's report.

**CITY OF WALDPOR**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**PROPRIETARY FUNDS**

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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.

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**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.

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

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

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**WATER FUND**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Charges for services	\$ 661,342	\$ 661,342	\$ 675,693	\$ 14,351
Operating expenses:				
Materials and services	469,400	479,400	476,991	2,409
Capital outlay	253,756	593,424	434,338	159,086
Contingency	39,442	286	-	286
Total operating expenses	<u>762,598</u>	<u>1,073,110</u>	<u>911,329</u>	<u>161,781</u>
Operating income (loss)	<u>(101,256)</u>	<u>(411,768)</u>	<u>(235,636)</u>	<u>176,132</u>
Nonoperating revenue (expenses):				
Grant proceeds	56,254	357,566	232,491	(125,075)
Loan Proceeds	27,502	27,502	18,918	(8,584)
Interest earnings	700	700	2,901	2,201
Debt service	<u>(59,711)</u>	<u>(59,711)</u>	<u>(39,219)</u>	<u>20,492</u>
Total nonoperating revenue (expenses)	<u>24,745</u>	<u>326,057</u>	<u>215,091</u>	<u>(110,966)</u>
Income (loss) before transfers	(76,511)	(85,711)	(20,545)	65,166
Transfers out	<u>(73,523)</u>	<u>(73,523)</u>	<u>(73,523)</u>	<u>-</u>
Change in net working capital	(150,034)	(159,234)	(94,068)	65,166
Net working capital at beginning of year	<u>211,900</u>	<u>211,900</u>	<u>194,226</u>	<u>(17,674)</u>
Net working capital at end of year	<u>\$ 61,866</u>	<u>\$ 52,666</u>	100,158	<u>\$ 47,492</u>
Reconciliation to generally accepted accounting principles basis				
Change in receivable			10,411	78,029
Change in inventory			9,110	
Change in accrued interest payable			(765)	
Change in current portion of long-term debt			<u>(8,939)</u>	
GAAP basis net working capital			<u>\$ 109,975</u>	

**CITY OF WALDPOR**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)**  
**WASTEWATER FUND**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Charges for services	\$ 636,331	\$ 636,331	\$ 650,411	\$ 14,080
Operating expenses:				
Materials and services	502,700	510,700	473,966	36,734
Capital outlay	182,000	182,000	57,544	124,456
Contingency	50,485	42,485	-	42,485
Total operating expenses	<u>735,185</u>	<u>735,185</u>	<u>531,510</u>	<u>203,675</u>
Operating income (loss)	<u>(98,854)</u>	<u>(98,854)</u>	<u>118,901</u>	<u>217,755</u>
Nonoperating revenue (expenses):				
Interest earnings	1,300	1,300	4,957	3,657
Debt service	(45,418)	(45,418)	(45,418)	-
Total nonoperating revenue (expenses)	<u>(44,118)</u>	<u>(44,118)</u>	<u>(40,461)</u>	<u>3,657</u>
Income (loss) before transfers and contributions	<u>(142,972)</u>	<u>(142,972)</u>	<u>78,440</u>	<u>221,412</u>
Transfers out	<u>(62,610)</u>	<u>(62,610)</u>	<u>(62,610)</u>	<u>-</u>
Change in net working capital	(205,582)	(205,582)	15,830	221,412
Net working capital at beginning of year	<u>330,400</u>	<u>330,400</u>	<u>381,590</u>	<u>51,190</u>
Net working capital at end of year	<u>\$ 124,818</u>	<u>\$ 124,818</u>	397,420	<u>\$ 272,602</u>
Reconciliation to generally accepted accounting principles basis				
Change in receivable allowance			10,411	
Change in assessments receivable			-	
Change in inventory			1,315	
Change in accrued interest payable			177	
Change in current portion of long-term debt			(406)	
GAAP basis net working capital			<u>\$ 408,917</u>	

See auditor's report.

**CITY OF WALDPOR**  
**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, 2018**

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Charges for services	\$ 925,000	\$ 925,000	\$ 867,303	\$ (57,697)
Total operating revenues	<u>925,000</u>	<u>925,000</u>	<u>867,303</u>	<u>(57,697)</u>
Operating expenses:				
Personnel services	806,478	806,478	745,718	60,760
Materials and services	73,600	73,600	65,317	8,283
Debt service	30,370	30,370	30,370	-
Contingency	36,763	36,763	-	36,763
Total operating expenses	<u>947,211</u>	<u>947,211</u>	<u>841,405</u>	<u>105,806</u>
Operating income (loss)	(22,211)	(22,211)	25,898	48,109
Nonoperating revenue (expenses):				
Miscellaneous	-	-	14,669	14,669
Interest earnings	800	800	1,649	849
Total nonoperating revenue (expenses)	<u>800</u>	<u>800</u>	<u>16,318</u>	<u>15,518</u>
Income (loss) before transfers	(21,411)	(21,411)	42,216	63,627
Transfers in	-	-	-	-
Change in net working capital	(21,411)	(21,411)	42,216	63,627
Net working capital at beginning of year	<u>100,300</u>	<u>100,300</u>	<u>56,003</u>	<u>(44,297)</u>
Net working capital at end of year	<u>\$ 78,889</u>	<u>\$ 78,889</u>	<u>98,219</u>	<u>\$ 19,330</u>
Reconciliation to generally accepted accounting principles basis				
Change in payroll liabilities			(7,248)	
Change in accrued compensation payable			(2,601)	
Change in Accounts Payable			574	
Change in accrued interest payable			291	
Change in current portion of long term debt			(498)	
GAAP basis net working capital			<u>\$ 88,737</u>	

***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS –  
GOVERNMENT AUDITING STANDARDS***

# Emerald CPA Group, LLP

450 Country Club Road, Suite 155  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 24, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 24, 2018.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

**Purpose of this Report**

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

*Emerald CPA Group, LLP*

Emerald CPA Group, LLP

Certified Public Accountants

Eugene, Oregon

September 24, 2018

*INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE  
REGULATIONS*

# Emerald CPA Group, LLP

450 Country Club Road, Suite 155  
Eugene OR 97401

## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

September 24, 2018

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, 2018, and have issued our report thereon dated September 24, 2018. 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.

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

#### **OAR 162-10-230 Internal Control**

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

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

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

#### **Purpose of this Report**

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

*Emerald CPA Group, LLP*

Emerald CPA Group LLP

Certified Public Accountants

Eugene, Oregon

September 24, 2018