



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**CITY OF WALDPOR
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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CITY OF WALDPOR

CITY OFFICIALS

June 30, 2019

Mayor and City Council

Term Expires

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

December 31, 2019

Dann Cutter, Mayor
2226 N. Coast Highway
Newport, Oregon 97365

December 31, 2019

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

December 31, 2019

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

Paul Virtue, Councilor
P.O. Box 1120
Waldport, Oregon 97394

December 31, 2019

Mark Campbell, Councilor
P.O. Box 1120
Waldport, Oregon 97394

December 31, 2019

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

INDEPENDENT AUDITOR'S REPORT

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
Eugene OR 97401

INDEPENDENT AUDITOR'S REPORT

September 30, 2019

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, 2019, 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, 2019, 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 30, 2019, 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 30, 2019, 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, 2019**

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, 2019. 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 \$12,115,682 (net position) as of June 30, 2019. Of this amount, \$10,264,056 is invested in capital assets, net of related debt. The city's total net position increased by \$285,054 or 2%.
- Total revenues for fiscal year ending 2019 increased \$356,438 over the previous year and included \$149,555 in grant proceeds for the water fund. The total expenses for programs and services increased \$159,187 and included \$79,448 for the actuarially estimated long term pension expense, an increase of \$29,824 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 Activities		Business Type Activities		City as a Whole	
	2018	2019	2018	2019	2018	2019
Assets:						
Cash and investments	1,162,273	1,315,124	719,837	573,094	1,882,110	1,888,218
Other assets	158,116	178,314	352,590	249,134	510,706	427,448
Deferred pension outflows	133,532	171,186	137,013	174,338	270,545	345,524
Capital assets	2,444,848	2,563,154	10,167,293	10,282,903	12,612,141	12,846,057
Total assets	3,898,769	4,227,778	11,376,733	11,279,469	15,275,502	15,507,247
Liabilities:						
Current liabilities	128,260	136,495	317,577	143,891	445,837	280,386
Deferred pension inflows	19,322	26,165	19,826	26,646	39,148	52,811
Long term debt outstanding	966,656	924,114	1,547,299	1,547,553	2,513,955	2,471,667
Net pension liability	220,100	290,674	225,834	296,027	445,934	586,701
Total liabilities	1,334,338	1,377,448	2,110,536	2,014,117	3,444,874	3,391,565
Net position:						
Net investment in capital assets	1,437,481	1,596,497	8,544,861	8,667,559	9,982,342	10,264,056
Restricted	794,495	896,713	200,188	192,211	994,683	1,088,924
Unrestricted	332,455	357,120	521,148	405,582	853,603	762,702
Total net position	2,564,431	2,850,330	9,266,197	9,265,352	11,830,628	12,115,682

As of June 30, 2019, the city had \$12,846,057 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, water master plan, inflow and infiltration mitigation, and construction of Disc Golf Course, Waziyata Beach Access. More detailed information about the city's capital assets is presented in the notes to the financial statements. The city's fiscal year 2019/2020 budget has appropriated \$830,200 for capital outlays, which includes, transportation system plan update, Open Space development, digital speed signs, street light repair, wayfinding signs, sidewalk – design & readiness, rate study, water conservation plan, public works equipment, and wastewater master plan.

As of June 30, 2019, the city owed \$2,471,667 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 reports a net pension liability of \$586,701, deferred pension outflows of \$345,524, and deferred pension inflows of \$52,811.

The assets of the City exceeded its liabilities by \$12,115,682 (net position) as of June 30, 2019. Of this amount, \$10,264,056 is invested in capital assets, net of related debt.

City of Waldport						
Statement of Activities						
	Governmental		Business Type		City as a	
	Activities		Activities		Whole	
	2018	2019	2018	2019	2018	2019
Program Revenues:						
Charges for services	83,642	81,648	1,326,104	1,396,725	1,409,746	1,478,373
Grants and contributions	28,213	291,743	232,491	149,556	260,704	441,299
General Revenues:						
Taxes	1,069,456	1,130,571	-	-	1,069,456	1,130,571
Intergovernmental	389,327	408,082	-	-	389,327	408,082
Gain on sale of capital assets	-	-	11,484	-	11,484	-
Interest	15,884	27,322	9,507	15,946	25,391	43,268
Total Revenues	1,586,522	1,939,366	1,579,586	1,562,227	3,166,108	3,501,593
Expenses:						
General government	540,265	927,453	-	-	540,265	927,453
Public safety	363,776	395,533	-	-	363,776	395,533
Streets, storm water	278,490	317,612	-	-	278,490	317,612
Culture, recreation	354,468	55,270	-	-	354,468	55,270
Economic development	14,645	17,604	-	-	14,645	17,604
Interest on debt	45,981	43,664	-	-	45,981	43,664
Water	-	-	566,423	749,044	566,423	749,044
Wastewater	-	-	635,486	710,359	635,486	710,359
Total Expenses	1,597,625	1,757,136	1,201,909	1,459,403	2,799,534	3,216,539
Excess (deficiency) before transfers	(11,103)	182,230	377,677	102,824	366,574	285,054
Contributed capital	(133,230)	-	133,230	-	-	-
Transfers in (out)	136,133	103,669	(136,133)	(103,669)	-	-
Changes in net position	(8,200)	285,899	374,774	(845)	366,574	285,054
Net position at beginning of year	2,572,631	2,564,431	8,891,423	9,266,197	11,464,054	11,830,628
Net position at end of year	2,564,431	2,850,330	9,266,197	9,265,352	11,830,628	12,115,682

Total revenues for the city increased \$335,485 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 2018 to water infrastructure in 2019.

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 2019 actuarially estimated long term pension expenses of \$79,448 are included in the city's Statement of Activities, an increase of \$29,824 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 \$285,899 over the previous year. The general fund received \$48,947 for the new 3% local marijuana tax and \$12,988 for state marijuana shared revenues. Transient room taxes increased \$30,982 from the previous year, mostly due to an increase in tax rate, 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 decreased \$845 from the previous year. The water fund received grant proceeds of \$149,556 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 3.4% rate increase for services. Water and wastewater expenses were comparable to the previous year.

BUDGETARY CHANGES

Five resolutions were adopted during the fiscal year to amend the city's originally adopted budget. Total appropriations increased by \$159,493, primarily to adjust for the change of capital project schedules from the previous year (\$474,280) and to increase program expenditures (\$10,593), which were funded by additional resources (\$81,493) and reductions of contingency (\$31,000). The contingency reduction includes a loan from the General Fund to the Water fund. This was to offset the Water Fund deficit, related to the reservoir.

ECONOMIC CONDITIONS

Waldport's elected and appointed officials consider many factors when setting the budget, tax rates, and fees charged for services and activities. One of those factors is a consideration of the economic conditions of the Waldport area. Waldport has an estimated population of 2,095, 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 its 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 WALDPORT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,001,599	\$ 380,883	\$ 1,382,482
Receivables:			
Accounts (net)	100,832	188,123	288,955
Property taxes	61,537	-	61,537
Special assessments	-	3,952	3,952
Cash and cash equivalents - restricted	316,028	192,211	508,239
Inventories	13,442	57,059	70,501
	<u>1,493,438</u>	<u>822,228</u>	<u>2,315,666</u>
Capital assets:			
Nondepreciable capital assets	225,294	349,834	575,128
Construction in process	153,514	1,053,466	1,206,980
Depreciable assets, net of depreciation	2,184,346	8,879,603	11,063,949
	<u>2,563,154</u>	<u>10,282,903</u>	<u>12,846,057</u>
Total assets	4,056,592	11,105,131	15,161,723
Deferred outflows of resources:			
Deferred amounts related to pensions	171,186	174,338	345,524
Total assets and deferred outflows of resources	<u>\$ 4,227,778</u>	<u>\$ 11,279,469</u>	<u>\$ 15,507,247</u>
LIABILITIES			
Accounts payable	\$ 17,649	\$ 16,520	\$ 34,169
Prepaid business licenses	8,743	-	8,743
Compensated absences payable	27,685	41,187	68,872
Accrued interest payable	39,875	18,393	58,268
Current portion of general obligation bonds payable	42,543	-	42,543
Current portion of revenue bond payable	-	18,560	18,560
Current portion of notes payable	-	49,231	49,231
	<u>136,495</u>	<u>143,891</u>	<u>280,386</u>
Total current liabilities	136,495	143,891	280,386
Long-term liabilities			
General obligation bonds payable (net of current portion)	924,114	-	924,114
Revenue bond payable (net of current portion)	-	632,538	632,538
Notes payable (net of current portion)	-	915,015	915,015
Net pension liability	290,674	296,027	586,701
	<u>1,214,788</u>	<u>1,843,580</u>	<u>3,058,368</u>
Total long-term liabilities	1,214,788	1,843,580	3,058,368
Total liabilities	1,351,283	1,987,471	3,338,754
Deferred inflows of resources:			
Deferred amounts related to pensions	26,165	26,646	52,811
Total liabilities and deferred inflows of resources	<u>1,377,448</u>	<u>2,014,117</u>	<u>3,391,565</u>
NET POSITION			
Net investment in capital assets	1,596,497	8,667,559	10,264,056
Restricted for:			
Debt service	273,495	67,578	341,073
Streets	276,510	-	276,510
Footpaths and bicycle trails	41,561	124,633	166,194
Roads	12,899	-	12,899
Urban renewal construction	292,248	-	292,248
Unrestricted	357,120	405,582	762,702
Total net position	<u>\$ 2,850,330</u>	<u>\$ 9,265,352</u>	<u>\$ 12,115,682</u>

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

**CITY OF WALDPOR
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services & Contracts	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business Type Activities	Total
Governmental activities:							
General government	\$ 927,453	\$ 51,719	\$ -	\$ 204,435	\$ (671,299)	\$ -	\$ (671,299)
Public safety	395,533	29,929	42,308	-	(323,296)	-	(323,296)
Highways and streets	317,612	-	-	45,000	(272,612)	-	(272,612)
Culture and recreation	55,270	-	-	-	(55,270)	-	(55,270)
Economic development	17,604	-	-	-	(17,604)	-	(17,604)
Interest expense	43,664	-	-	-	(43,664)	-	(43,664)
Total governmental activities	1,757,136	81,648	42,308	249,435	(1,383,745)	-	(1,383,745)
Business-type activities:							
Water	749,044	703,215	149,556	-	-	103,727	103,727
Sewer	710,359	693,510	-	-	-	(16,849)	(16,849)
Total business-type activities	1,459,403	1,396,725	149,556	-	-	86,878	86,878
Total government	\$ 3,216,539	\$ 1,478,373	\$ 191,864	\$ 249,435	(1,383,745)	86,878	\$ (1,296,867)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					593,163	-	593,163
Property taxes, levied for dedicated purposes					228,680	-	228,680
Sales tax					48,948	-	48,948
Intergovernmental aid not restricted to specific purposes					254,066	-	254,066
Intergovernmental aid restricted to specific purposes					154,016	-	154,016
Franchise and room taxes					259,780	-	259,780
Gain (Loss) on disposition of capital assets					-	-	-
Interest and investment earnings					27,322	15,946	43,268
Total General Revenues					1,565,975	15,946	1,581,921
Other							
Transfer in (out)					103,669	(103,669)	-
Total Other					103,669	(103,669)	-
Changes in net position					285,899	(845)	285,054
Net position - beginning of year					2,564,431	9,266,197	11,830,628
Net position - end of year					\$ 2,850,330	\$ 9,265,352	\$ 12,115,682

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

**CITY OF WALDPOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General	Street	Urban Renewal	Urban Renewal Debt Service	Road District	Total
ASSETS						
Cash and cash equivalents	\$ 736,873	\$ 275,354	\$ 270,818	\$ 22,480	\$ 12,099	\$ 1,317,624
Receivables (net)						
Accounts receivable	66,830	34,002	-	-	-	100,832
Property taxes	45,045	-	-	4,928	11,564	61,537
Inventory	-	13,442	-	-	-	13,442
Total assets	\$ 848,748	\$ 322,798	\$ 270,818	\$ 27,408	\$ 23,663	\$ 1,493,435
LIABILITIES						
Accounts payable	\$ 12,022	\$ 4,727	\$ 900	\$ -	\$ -	\$ 17,649
Unearned revenues	8,743	-	-	-	-	8,743
Total liabilities	20,765	4,727	900	-	-	26,392
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	41,845	-	-	4,578	10,764	57,187
FUND BALANCES						
Nonspendable	-	13,442	-	-	-	13,442
Restricted	-	304,629	269,918	22,830	12,899	610,276
Unassigned	786,138	-	-	-	-	786,138
Total fund balances	786,138	318,071	269,918	22,830	12,899	1,409,856
Total liabilities, deferred inflows of resources and fund balances	\$ 848,748	\$ 322,798	\$ 270,818	\$ 27,408	\$ 23,663	\$ 1,493,435

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

CITY OF WALDPORT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds \$ 1,409,856

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	\$ 2,563,154	
Net pension liability	(290,674)	
Deferred outflows of resources related to pensions	<u>171,186</u>	
		2,443,666

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		57,187
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All liabilities are reported in the Statement of Net Position, however, if they are not due and payable in the current period, they are not recorded in the governmental funds:

Compensated absences payable	(27,685)	
Deferred inflows of resources related to pensions	(26,165)	
Accrued interest payable on note payable	(39,872)	
Bond payable	<u>(966,657)</u>	
		<u>(1,060,379)</u>

Total net position - governmental activities \$ 2,850,330

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, 2019

	General & Community	Street	Urban Renewal	Urban Renewal Debt Service	Road District	Total
Revenues:						
Property taxes	\$ 599,126	\$ -	\$ -	\$ 75,398	\$ 155,232	\$ 829,756
Franchise and room taxes	259,776	-	-	-	-	259,776
Intergovernmental	254,066	154,016	-	-	-	408,082
Sales tax	48,948	-	-	-	-	48,948
Fees, licenses and charges for services	51,719	149,600	-	-	-	201,319
Fines and forfeits	29,929	-	-	-	-	29,929
Interest earnings	14,155	3,828	5,424	1,555	2,360	27,322
Donations and grants	227,142	45,000	-	-	-	272,142
Total revenues	1,484,861	352,444	5,424	76,953	157,592	2,077,274
Expenditures:						
Current:						
General government	819,497	-	-	-	-	819,497
Public safety	395,533	-	-	-	-	395,533
Highways and streets	-	215,013	-	-	149,964	364,977
Culture and recreation	31,915	-	9,900	-	-	41,815
Economic development	4,135	-	15,175	-	-	19,310
Capital outlay	225,608	48,878	2,064	-	-	276,550
Debt service	86,053	-	-	150,000	-	236,053
Total expenditures	1,562,741	263,891	27,139	150,000	149,964	2,153,735
Excess (deficiency) of revenues over (under) expenditures	(77,880)	88,553	(21,715)	(73,047)	7,628	(76,461)
Other financing sources (uses):						
Transfer in	347,667	-	-	-	-	347,667
Transfer out	(211,404)	(32,594)	-	-	-	(243,998)
Issuance of debt	-	-	150,000	-	-	150,000
Total other financing sources (uses)	136,263	(32,594)	150,000	-	-	253,669
Net change in fund balances	58,383	55,959	128,285	(73,047)	7,628	177,208
Fund balances at beginning of year	727,755	262,112	141,633	95,877	5,271	1,232,648
Fund balances at end of year	\$ 786,138	\$ 318,071	\$ 269,918	\$ 22,830	\$ 12,899	\$ 1,409,856

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, 2019**

Total net change in fund balances - governmental funds \$ 177,208

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		(7,912)
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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	276,550	
Depreciation and dispositions	<u>(163,548)</u>	
		113,002

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	4,332	
Changes in accrued interest payable	<u>(1,679)</u>	
		2,653

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.

(39,763)

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	-	
Repayment of debt	<u>40,711</u>	
		<u>40,711</u>

Change in net position of governmental activities \$ 285,899

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, 2019

	Business-type Activities-Enterprise Funds			Business-type Activities
	Water	Wastewater	Totals	Public Works Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	(41,582)	316,333	\$ 274,751	106,133
Accounts receivable - net	132,101	56,021	188,122	-
Assessments receivable	-	3,952	3,952	-
Restricted assets - cash	114,663	77,548	192,211	-
Inventory	50,091	6,968	57,059	-
Total current assets	255,273	460,822	716,095	106,133
Capital assets:				
Land	89,757	10,741	100,498	177,223
Water rights	72,113	-	72,113	-
Construction in process	949,481	103,985	1,053,466	-
Depreciable assets, net of depreciation	2,455,551	5,799,383	8,254,934	624,669
Total capital assets, net	3,566,902	5,914,109	9,481,011	801,892
Total assets	3,822,175	6,374,931	10,197,106	908,025
Deferred outflows of resources				
Deferred amounts related to pensions	-	-	-	174,338
Total assets and deferred outflows of resources	\$ 3,822,175	\$ 6,374,931	\$ 10,197,106	\$ 1,082,363
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	\$ 5,184	\$ 8,627	\$ 13,811	\$ 2,709
Compensated absences payable	-	-	-	41,187
Accrued interest payable	2,833	6,714	9,547	8,846
Current portion of revenue bond payable	-	18,560	18,560	-
Current portion of notes payable	34,026	-	34,026	15,205
Total current liabilities	42,043	33,901	75,944	67,947
Long-term liabilities:				
Revenue bond payable (net of current portion)	-	632,538	632,538	-
Notes payable (net of current portion)	498,159	-	498,159	416,856
Net pension liability	-	-	-	296,027
Total long-term liabilities	498,159	632,538	1,130,697	712,883
Total liabilities	540,202	666,439	1,206,641	780,830
Deferred inflows of resources				
Deferred amounts related to pensions	-	-	-	26,646
Total liabilities and deferred inflows of resources	\$ 540,202	\$ 666,439	\$ 1,206,641	\$ 807,476
Net position:				
Net investment in capital assets	3,034,717	5,263,011	8,297,728	369,831
Unrestricted	247,256	445,481	692,737	(94,944)
Total net position	\$ 3,281,973	\$ 5,708,492	8,990,465	\$ 274,887
Reconciliation to the Statement of Net Position - Business-Type Activities				
Net assets at end of year, Proprietary Funds			8990465	
Inclusion of Internal Service Fund			274,887	
Net position at end of year, Statement of Net Position - Business-Type Activities			<u>\$ 9,265,352</u>	

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

CITY OF WALDPOR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	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	\$ 703,215	\$ 693,510	\$ 1,396,725	\$ 955,923
Total operating revenues	703,215	693,510	1,396,725	955,923
Operating expenses:				
Current:				
Personnel services	-	-	-	848,232
Materials and services	662,674	530,609	1,193,283	81,914
Depreciation	71,065	141,782	212,847	31,518
Total operating expenses	733,739	672,391	1,406,130	961,664
Operating income (loss)	(30,524)	21,119	(9,405)	(5,741)
Nonoperating revenues (expenses):				
Grants & contributions	149,556	-	149,556	-
Interest earnings	5,280	8,293	13,573	2,372
Interest expense	(4,742)	(27,409)	(32,151)	(15,380)
Total nonoperating revenues (expenses)	150,094	(19,116)	130,978	(13,008)
Income (loss) before transfers and contributions	119,570	2,003	121,573	(18,749)
Transfers and contributions:				
Transfers in	10,000	-	10,000	-
Transfers out	(49,487)	(64,182)	(113,669)	-
Total transfers and contributions	(39,487)	(64,182)	(103,669)	-
Change in net position	80,083	(62,179)	17,904	(18,749)
Net position at beginning of year	3,201,890	5,770,671	8,972,561	293,636
Net assets at beginning of year, restated	3,201,890	5,770,671	8,972,561	293,636
Net position at end of year	<u>\$ 3,281,973</u>	<u>\$ 5,708,492</u>	<u>\$ 8,990,465</u>	<u>\$ 274,887</u>
Reconciliation of change in net position on the Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Funds to the change in net position on the Statement of Activities - Business-Type Activities				
Change in net position - Proprietary Funds			\$ 17,904	
Inclusion of Internal Service Fund			<u>(18,749)</u>	
Change in net position - Business-Type Activities			<u>\$ (845)</u>	

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

CITY OF WALDPORT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Increase (Decrease) in Cash and Cash Equivalents
For the Fiscal Year Ended June 30, 2019

	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	\$ 814,292	\$ 683,097	\$ 1,497,389	\$ -
Receipts from interfund services provided	-	-	-	955,926
Cash paid to employees	-	-	-	(814,679)
Cash paid to suppliers	(824,410)	(528,506)	(1,352,916)	(88,622)
Net cash provided (used) by operating activities	(10,118)	154,591	144,473	52,625
Cash flows from noncapital financing activities:				
Transfers from other funds	10,000	-	10,000	-
Transfers to other funds	(49,487)	(64,182)	(113,669)	-
Net cash provided (used) by noncapital financing activities:	(39,487)	(64,182)	(103,669)	-
Cash flows from capital and related financing activities:				
Grant, loan and insurance proceeds	209,180	-	209,180	-
Purchase of capital assets	(224,756)	(45,955)	(270,711)	(89,263)
Interest paid	(4,742)	(27,409)	(32,151)	(4,742)
Principal payments on long-term debt	(33,975)	(18,009)	(51,984)	(16,495)
Net cash provided (used) by capital and related financing activities	(54,293)	(91,373)	(145,666)	(110,500)
Cash flows from investing activities:				
Interest on investments	5,280	8,293	13,573	2,372
Net cash provided (used) by investing activities:	5,280	8,293	13,573	2,372
Net increase (decrease) in cash and cash equivalents	(98,618)	7,329	(91,289)	(55,503)
Cash and cash equivalents at beginning of year (including restricted cash of \$162,129)	171,699	386,552	558,251	112,696
Cash and cash equivalents at end of year (including restricted cash of \$200,188)	\$ 73,081	\$ 393,881	\$ 466,962	\$ 57,193
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (30,524)	\$ 21,119	\$ (9,405)	\$ (5,741)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	71,065	141,782	212,847	31,518
Change in assets and liabilities:				
Accounts receivable	111,077	(10,413)	100,664	-
Inventory	2,942	(149)	2,793	-
Assessments receivable	-	-	-	-
Accounts payable	(164,678)	2,252	(162,426)	(6,705)
Deferred inflow/outflows related to pension	-	-	-	30,505
Accrued payroll and benefits	-	-	-	3,048
Net cash provided (used) by operating activities	\$ (10,118)	\$ 154,591	\$ 144,473	\$ 52,625

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, 2019

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 WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019

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 WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019

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.

CITY OF WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019

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 WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the City had \$508,239 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 WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019

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 WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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

CITY OF WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019

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, 2019, 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, 2019, 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, 2019

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, 2019. 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, 2019, the carrying amounts of the City's deposits in various financial institutions were \$424,597 and the bank balance was \$428,423. Of the bank balances, \$500,000 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 2019. 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 WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, 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	\$ 168,998
Total Investments		\$ 168,998

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Bank deposits	\$ 1,721,723
Investments	168,998
Total	<u>\$ 1,890,721</u>

Balance Sheet

Governmental Funds:

General Fund (includes restricted cash of \$316,028)	\$ 736,873
Street Fund (includes restricted cash of \$9,190)	275,354
Urban Renewal Construction Fund	270,819
Urban Renewal Debt Service Fund	22,481
Road District	12,100
	<u>1,317,627</u>

Proprietary Funds:

Water Fund (includes restricted cash of \$114,663)	73,080
Wastewater Fund (includes restricted cash of \$77,548)	393,881
Public Works Fund	106,133
	<u>573,094</u>

Total	<u>\$ 1,890,721</u>
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B. Receivables

Receivables as of fiscal year end are as follows:

Governmental Activities:

	General Fund	Street Fund	Urban Renewal Debt Service Fund	Road District Fund	Totals
Accounts receivable	\$ 66,830	\$ 34,002	\$ -	\$ -	\$ 100,832
Property taxes	45,045	-	4,928	11,564	61,537
Total Government receivables	<u>\$ 111,875</u>	<u>\$ 34,002</u>	<u>\$ 4,928</u>	<u>\$ 11,564</u>	<u>\$ 162,369</u>

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

	Water Fund	Wastewater Fund	Totals
Accounts receivable	\$ 149,356	\$ 65,944	\$ 215,300
Assessments receivable		3,952	3,952
Less allowance for doubtful accounts	(17,255)	(9,923)	(27,178)
 Net business-type accounts receivable	 \$ 132,101	 \$ 59,973	 \$ 192,074

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 \$27,178 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 2018-19, 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 \$531,193 for general operations and a levy for bonded indebtedness of \$80,053.

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 2018-19, the Agency assessed \$77,206.

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 \$158,405.

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, 2019, 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 \$41,845, \$4,578, and \$10,764, respectively.

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

D. Capital Assets

Capital asset activity for the City for the fiscal year ended June 30, 2019, was as follows:

Governmental activities:	Balance 6/30/2018	Additions / Transfers	Deletions / Transfers	Balance 6/30/2019
<i><u>Nondepreciable capital assets</u></i>				
Land	\$ 205,694	\$ 19,600	\$ -	\$ 225,294
Construction in progress	5,705	153,514	(5,705)	153,514
Total nondepreciable capital assets	211,399	173,114	(5,705)	378,808
<i><u>Depreciable capital assets</u></i>				
Buildings	972,171	-	-	972,171
Street and storm systems	2,592,135	48,878	-	2,641,013
Park system	704,456	81,570	-	786,026
Equipment	32,543	-	-	32,543
Total depreciable capital assets	4,301,305	130,448	-	4,431,753
<i><u>Less accumulated depreciation for</u></i>				
Buildings	(613,844)	(18,179)	-	(632,023)
Street and storm systems	(1,165,578)	(102,235)	-	(1,267,813)
Park system	(265,569)	(56,986)	-	(322,555)
Equipment	(22,865)	(2,151)	-	(25,016)
Total accumulated depreciation	(2,067,856)	(179,551)	-	(2,247,407)
Net depreciable capital assets	2,233,449	(49,103)	-	2,184,346
Net governmental capital assets	\$ 2,444,848	\$ 124,011	\$ (5,705)	\$ 2,563,154

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

General government	\$ 8,085
Culture and recreation	69,231
Highways and streets	102,235
	<u>\$ 179,551</u>

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Business-type Activities	Balance 6/30/2018	Additions / Transfers	Deletions / Transfers	Balance 6/30/2019
<i><u>Nondepreciable capital assets</u></i>				
Land	\$ 277,721	\$ -	\$ -	\$ 277,721
Water rights	72,613	500	-	72,113
Construction in progress	908,710	176,156	(31,400)	1,053,466
Total nondepreciable capital assets	<u>1,259,044</u>	<u>176,656</u>	<u>(31,400)</u>	<u>1,403,300</u>
<i><u>Depreciable capital assets</u></i>				
Buildings	558,506	-	-	558,506
Utility systems	13,062,971	125,456	-	13,188,427
Equipment	385,258	89,263	-	474,521
Total depreciable capital assets	<u>14,006,735</u>	<u>214,719</u>	<u>-</u>	<u>14,221,454</u>
<i><u>Less accumulated depreciation for</u></i>				
Buildings	(67,009)	(11,170)	-	(78,179)
Utility systems	(4,720,646)	(212,847)	-	(4,933,493)
Equipment	(309,831)	(20,348)	-	(330,179)
Total accumulated depreciation	<u>(5,097,486)</u>	<u>(244,365)</u>	<u>-</u>	<u>(5,341,851)</u>
Net depreciable capital assets	<u>8,909,249</u>	<u>(29,646)</u>	<u>-</u>	<u>8,879,603</u>
Net governmental capital assets	<u>\$ 10,168,293</u>	<u>\$ 147,010</u>	<u>\$ (31,400)</u>	<u>\$ 10,282,903</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 2018-2019. 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

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

<u>Fiscal Year</u>	<u>USDA #92-08 payable from Sewer Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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
2023-24	45,418	21,817	23,601
2024-29	227,090	123,352	103,738
2029-34	227,090	150,981	76,109
2034-39	227,090	184,798	42,292
2039-42	97,247	91,188	6,059
Total	<u>\$ 1,005,607</u>	651,098	<u>\$ 354,508</u>
Less current portion		<u>(18,560)</u>	
		<u>\$ 632,538</u>	

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, 2019.

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

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Fiscal Year	OBDD #S01008 Payable from Water Fund		
	Total	Principal	Interest
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
2023-24	20,145	18,237	1,908
2024-29	100,725	93,957	6,768
2029-33	81,206	78,607	2,598
Total	\$ 282,656	261,962	\$ 20,694
Less current portion		(17,525)	
		\$ 244,436	

Issue date: August 2, 2017
Approved amount: \$247,600
Interest rate: 1%
30 year term beginning December 2020
Purpose: Water Source Improvements

Fiscal Year	OBDD #516019 Payable from Water Fund		
	Total	Principal	Interest
2020-21	\$ 7,954	\$ 5,843	\$ 2,111
2021-22	7,954	5,901	2,053
2022-23	7,954	5,960	1,994
2023-24	7,954	6,020	1,934
2024-25	7,954	6,080	1,874
2025-30	39,770	31,326	8,444
2030-35	39,770	32,923	6,847
2035-40	39,770	34,603	5,167
2040-45	39,770	36,368	3,402
2045-50	39,776	38,229	1,547
2050-51	7,924	7,846	78
Total	\$ 246,550	211,100	\$ 35,451
Less current portion		-	
		\$ 211,100	

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Issue date: January 15, 2013
Original amount: \$165,000
Interest rate: variable; 3.0% at June 30, 2019
Purpose: Water reservoir rehabilitation

Fiscal Year	Umpqua #70011654 Payable from Water Fund		
	Total	Principal	Interest
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
Total	\$ 62,816	59,125	\$ 3,691
Less current portion		(16,500)	
		\$ 42,625	

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, 2019, the current CD rate is 0.15 percent plus the index rate, resulting in a rate of 3.0 percent per annum.

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

<u>Fiscal Year</u>	<u>BOIFA Payable from Public Works Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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
2023-24	30,370	17,454	12,916
2024-29	151,850	96,903	54,947
2029-34	151,850	115,146	36,704
2034-39	153,679	138,462	15,216
Total	<u>\$ 609,229</u>	432,062	<u>\$ 177,166</u>
Less current portion		<u>(15,205)</u>	
		<u>\$ 416,858</u>	

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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 2017-2019, 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 2018-2019. 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

<u>Fiscal Year</u>	<u>USDA Payable from General Fund</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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
2023-24	86,053	50,773	35,280
2024-29	430,265	290,263	140,002
2029-34	430,265	361,721	68,544
2034-35	85,068	81,751	3,316
Total	\$ 1,375,863	966,656	\$ 409,207
Less current portion		<u>(42,576)</u>	
		\$ 924,079	

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2019:

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2019</u>	<u>Amount due within one year</u>
Business-type Activities:					
Revenue bond - USDA	\$ 668,923	\$ -	\$ 17,825	\$ 651,098	\$ 18,650
Note payable - OBDD	279,313	-	17,352	261,961	17,525
Note payable - BOIFA	446,750	-	14,689	432,061	15,205
Note payable - OBDD	151,822	59,278	-	211,100	-
Note payable - Umpqua	75,625	-	16,500	59,125	16,500
Total business-type activities	<u>1,622,433</u>	<u>59,278</u>	<u>66,366</u>	<u>1,615,345</u>	<u>67,880</u>
Governmental Activities:					
General obligation bonds	1,007,367	-	40,711	966,656	42,576
Total governmental activities	<u>1,007,367</u>	<u>-</u>	<u>40,711</u>	<u>966,656</u>	<u>42,576</u>
Total	<u><u>\$2,629,800</u></u>	<u><u>\$ 59,278</u></u>	<u><u>\$ 107,077</u></u>	<u><u>\$2,582,001</u></u>	<u><u>\$ 110,456</u></u>

Changes in other liabilities. The following is a summary of changes in other liabilities during the fiscal year ended June 30, 2019:

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2019</u>	<u>Amount due within one year</u>
Governmental Activities:					
Vacation payable	<u>\$ 23,353</u>	<u>\$ 27,784</u>	<u>\$ 23,452</u>	<u>\$ 27,685</u>	<u>\$ 27,685</u>
Business-type Activities:					
Vacation payable	<u>\$ 38,140</u>	<u>\$ 37,798</u>	<u>\$ 34,750</u>	<u>\$ 41,188</u>	<u>\$ 41,188</u>

CITY OF WALDPOR

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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
Nonspendable:						
Inventory	\$ -	\$ 13,442	\$ -	\$ -	\$ -	\$ 13,442
Restricted:						
Collateral	165,000	-	-	-	-	165,000
Debt service	86,476	-	-	22,830	-	109,306
Streets	-	9,190	-	-	-	9,190
Footpaths and bicycle trails	-	7,650	-	-	12,899	20,549
System development-parks	-	-	-	-	-	-
Urban renewal projects	-	-	269,918	-	-	269,918
Unassigned:	786,138	-	-	-	-	786,138
	<u>\$ 1,037,614</u>	<u>\$ 30,282</u>	<u>\$ 269,918</u>	<u>\$ 22,830</u>	<u>\$ 12,899</u>	<u>\$ 1,373,543</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
Net assets restricted for:					
Streets	\$ -	\$ 276,510	\$ -	\$ 12,899	\$ 289,409
Footpaths and bicycle trails	-	41,561	-	-	41,561
Urban renewal construction	-	-	269,918	-	269,918
Urban renewal debt service	-	-	22,830	-	22,830
System development-parks	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 318,071</u>	<u>\$ 292,748</u>	<u>\$ 12,899</u>	<u>\$ 623,718</u>

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

H. Interfund Transfers

	Transfer out	Transfer in
Governmental Activities:		
General Fund	\$ 211,404	\$ 347,667
Street Fund	32,594	-
	243,998	347,667
Business-type Activities:		
Water Fund	49,487	10,000
Wastewater Fund	64,182	-
	113,669	10,000
Total	\$ 357,667	\$ 357,667

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.

B. Public Employees Retirement System

Plan Description. The City of Waldport contributes to the Oregon Public Employees Retirement Fund (OPERF). The City is not a member of a State Local Government Rate Pool (SLGRP). Non-pooled employers, which include the City, participate in two plans. One is an agent multiple-employer pension plan for purposes of Tier 1/Tier 2 PERS pension liabilities. The other is a cost sharing plan for purposes of the Oregon Public Service Retirement Plan (OPSRP) pension liabilities. Both are administered by the State of Oregon Public Employees Retirement System (PERS). OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at: <http://www.oregon.gov/pers/Pages/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.

CITY OF WALDPORT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019

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, 2019, were \$114,879. This consisted of \$63,291 from the City and \$51,588 paid by the City on behalf of employees. These added to the City's fiduciary net position.

CITY OF WALDPOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

At June 30, 2018, the City reported a liability of \$586,701 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to June 30, 2018. 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, 2018, the City's proportion was 0.00387295 percent, which was an increase of 0.0056484 percent from its proportion measured as of June 30, 2017. For the year ended June 30, 2019, the City's actuarially determined pension expense was \$96,141. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,958	\$ -
Changes in assumptions	136,407	-
Net difference between projected and actual earnings on investments	-	26,053
Changes in proportion share	113,255	26,758
Differences between employer contributions and employee's proportionate share of system contributions	15,589	-
Contributions subsequent to the MD	<u>55,132</u>	<u>N/A</u>
 Total	 <u>\$ 340,341</u>	 <u>\$ 52,811</u>

The \$285,209 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, 2019.

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

2020	\$ 98,680
2021	77,173
2022	25,052
2023	25,621
2024	5,873
 Thereafter	 <u>-</u>
 Total	 <u>\$ 232,398</u>

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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),

(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:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
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>Healthy retirees and beneficiaries:</p> <p>RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members:</p> <p>Mortality rates are a percentage of healthy retirees rates that vary by group, as described in the valuation .</p> <p>Disabled retirees:</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>

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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%

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

JUNE 30, 2019 Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. Prior year was 7.50 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.

Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL/(A)]	6/30/2018
Actuarial Valuation Date (liability rolled forward to MD)	12/31/2016
Discount rate	7.20%
Employer's proportionate share at prior MD	0.00330811%
Employer's proportionate date at MD	0.00387295%
Employer's proportionate share of system NPL/(A) at prior MD	\$ 445,934
Employer's proportionate share of system NPL/(A) at MD	\$ 586,701
Sensitivity: NPL/(A) using discount rate 1.00% lower	\$ 980,488
Sensitivity: NPL/(A) using discount rate 1.00% higher	\$ 261,662

Employer Pension Expense for Measurement Period

Employer's proportionate share of system Pension Expense/(Income)	\$ 113,944
Net Amortization of deferred amounts from:	
Changes in proportionate share	18,898
Differences between employer contributions and employer's proportionate share of system contributions	6,655
Employer's Total Pensions Expense/(Income)	\$ 139,497

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.

CITY OF WALDPORT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

At June 30, 2019, 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.

C. 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, 2019, the City selected Brown & Brown Northwest Insurance as their Insurance Agent of Record.

D. Commitments

At June 30, 2019, the City is involved in the various phases of improvement projects. The significant contract and remaining amount is shown below:

Fund	Description	Original Contract Amount	Outstanding Contract Amount	Percentage of Completion
Water Fund	Westech Engineering	\$ 20,000	\$ 7,845	39%
Wastewater Fund	Westech Engineering	95,000	67,023	71%
		<u>\$ 115,000</u>	<u>\$ 74,868</u>	

CITY OF WALDPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

E. Pending or Threatened Litigation

In 2013, the City hired a Contractor to remove and replace the coating on the interior of a water reservoir. The contractor's work was negligent which caused physical damage and the City's loss of use of the reservoir.

In 2017, the City filed an action against the Contractor to recoup its losses. The case was transferred to arbitration. In the fall of 2018, the City was awarded damages of \$545,564, plus interest at 9% until paid.

The Contractor tendered the claim to its insurer. The insurer rejected the tender and filed a lawsuit against the Contractor and the City seeking a declaration that it has no duty to defend or indemnify the Contractor.

In August of 2019, the City's law firm filed an Amended Answer, Affirmative Defenses and Counterclaim and Demand for a July trial in the Federal Lawsuit on the City's behalf. The filing seeks to recover the Judgment (plus Interest) and the City's legal fees from the insurer under the terms of commercial general liability policies issued by the insurer to the Contractor up to the policy limits. In September of 2019, the City's law firm filed Allegations Against Garnishee Insurer in the State Lawsuit on the City's behalf. The filing seeks judgment against the insurer in the amount of the judgment plus interest. Both the State and Federal Lawsuits are ongoing.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WALDPART, OREGON
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

**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	0.00330811%	\$ 445,934	\$ 800,362	55.72%	83.1%
2018	0.00387295%	\$ 586,701	\$ 859,547	68.26%	82.1%

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%
2019	\$ 114,879	\$ 114,879	\$ -	\$ 859,547	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

CITY OF WALDPOR
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

MAJOR FUNDS

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

Special Revenue Funds

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

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

Urban Renewal Fund - This Special Revenue fund accounts for and reports the proceeds of specific revenues sources that are restricted to expenditure for project activities of the Urban Renewal Plan. Loan proceeds are used to construct or carry out these projects.

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, 2019

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 588,846	\$ 588,846	\$ 599,124	\$ 10,278
Franchise and room taxes	192,200	192,200	259,780	67,580
Intergovernmental	239,889	239,889	254,066	14,177
Sales tax	25,000	25,000	48,948	23,948
Fees and charges for services	31,018	31,018	38,165	7,147
Licenses and permits	13,500	13,500	13,554	54
Fines and forfeits	18,000	18,000	29,929	11,929
Interest earnings	4,500	4,500	14,155	9,655
Donations and grants	178,900	260,393	227,142	(33,251)
Total revenues	<u>1,291,853</u>	<u>1,373,346</u>	<u>1,484,863</u>	<u>111,517</u>
Expenditures:				
General government:				
Administration	800,877	816,570	752,244	64,326
Land use planning	65,711	71,211	67,253	3,958
Public safety	358,416	399,716	395,533	4,183
Culture and recreation	33,894	39,894	31,915	7,979
Economic development	3,500	3,500	4,135	(635)
Capital outlay	217,000	282,000	225,608	56,392
Debt service	86,053	86,053	86,053	-
Contingency	43,780	38,780	-	38,780
Total expenditures	<u>1,609,231</u>	<u>1,737,724</u>	<u>1,562,741</u>	<u>174,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(317,378)</u>	<u>(364,378)</u>	<u>(77,878)</u>	<u>286,500</u>
Other financing sources (uses):				
Transfer in	291,571	348,571	347,667	(904)
Transfer out	-	(10,000)	(10,000)	-
Total other financing sources (uses)	<u>291,571</u>	<u>338,571</u>	<u>337,667</u>	<u>(904)</u>
Net change in fund balance	<u>(25,807)</u>	<u>(25,807)</u>	<u>259,789</u>	<u>285,596</u>
Fund balance at beginning of year	<u>25,807</u>	<u>25,807</u>	<u>526,349</u>	<u>500,542</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>786,138</u>	<u>\$ 786,138</u>

See auditor's report.

CITY OF WALDPOR
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 154,016	\$ 29,016
Grant proceeds	-	45,000	45,000	-
Charges for services	149,500	149,500	149,600	100
Interest earning	1,600	1,600	3,828	2,228
Total revenues	276,100	321,100	352,444	31,344
Expenditures:				
Highways and streets:				
Personnel services	-	-	-	-
Materials and services	261,300	261,300	215,250	46,050
Capital outlay	15,000	95,000	48,878	46,122
Contingency	13,925	67,925	-	67,925
Total expenditures	290,225	424,225	264,128	160,097
Excess (deficiency) of revenues over (under) expenditures	(14,125)	(103,125)	88,316	191,441
Other financing sources (uses):				
Transfer out	(32,594)	(32,594)	(32,594)	-
Net change in fund balance	(46,719)	(135,719)	55,722	191,441
Fund balance at beginning of year	46,719	135,719	262,112	126,393
Fund balance at end of year	\$ -	\$ -	317,834	\$ 317,834
Reconciliation to generally accepted accounting principles basis:				
			237	
			<u>237</u>	
GAAP basis fund balance			\$ 318,071	
			<u>\$ 318,071</u>	

See auditor's report.

CITY OF WALDPOR
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
URBAN RENEWAL FUND
For the Fiscal Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Interest earnings	\$ 3,100	\$ 3,100	\$ 5,424	\$ 2,324
Total revenues	<u>3,100</u>	<u>3,100</u>	<u>5,424</u>	<u>2,324</u>
Expenditures:				
UR #1 Construction	75,920	73,200	12,527	60,673
UR #2 Construction	160,618	162,618	14,612	148,006
Contingency	50,862	42,582	-	42,582
Total expenditures	<u>287,400</u>	<u>278,400</u>	<u>27,139</u>	<u>251,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(284,300)</u>	<u>(275,300)</u>	<u>(21,715)</u>	<u>253,585</u>
Other financing sources (uses):				
Transfer out	-	-	-	-
Loan Proceeds	150,000	150,000	150,000	-
Total other financing sources (uses):	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balance	(134,300)	(125,300)	128,285	253,585
Fund balance at beginning of year	<u>149,300</u>	<u>149,300</u>	<u>141,633</u>	<u>(7,667)</u>
Fund balance at end of year	<u>\$ 15,000</u>	<u>\$ 24,000</u>	<u>\$ 269,918</u>	<u>\$ 245,918</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, 2019

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 152,700	\$ 152,700	\$ 155,233	\$ 2,533
Interest earnings	300	300	2,359	2,059
Total revenues	<u>153,000</u>	<u>153,000</u>	<u>157,592</u>	<u>4,592</u>
Expenditures:				
Highway and streets:				
Materials and services	150,000	150,000	149,964	36
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>149,964</u>	<u>36</u>
Net change in fund balance	3,000	3,000	7,628	4,628
Fund balance at beginning of year	<u>(3,000)</u>	<u>(3,000)</u>	<u>5,271</u>	<u>8,271</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,899</u>	<u>\$ 12,899</u>

See auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF WALDPOR
SUPPLEMENTARY INFORMATION
JUNE 30, 2019

BUDGETARY FUND

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

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

**CITY OF WALDPOR
GENERAL FUND BALANCE SHEET
FOR GAAP BASIS PRESENTATION*
June 30, 2019**

	General
ASSETS	
Cash and cash equivalents	\$ 736,873
Receivables (net)	
Accounts receivable	66,830
Property taxes	45,045
Total assets	848,748
LIABILITIES	
Accounts payable	12,022
Unearned revenues	8,743
Total liabilities	20,765
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	41,845
FUND BALANCES	
Unassigned	786,138
Total fund balances	786,138
Total liabilities, deferred inflows and fund balances	\$ 848,748

*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
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, 2019

	<u>General</u>	<u>Community</u>	<u>Total</u>
Revenues:			
Property taxes	\$ 599,124	\$ -	\$ 599,124
Franchise and room taxes	259,780	-	259,780
Intergovernmental	254,066	-	254,066
Sales tax	48,948	-	48,948
Fees, licenses and charges for services	51,719	-	51,719
Fines and forfeits	29,929	-	29,929
Interest earnings	14,155	-	14,155
Donations and grants	227,142	-	227,142
Total revenues	<u>1,484,863</u>	<u>-</u>	<u>1,484,863</u>
Expenditures:			
Current:			
General government	819,497	-	819,497
Public safety	395,533	-	395,533
Culture and recreation	31,915	-	31,915
Economic development	4,135	-	4,135
Capital outlay	225,608	-	225,608
Debt service	86,053	-	86,053
Total expenditures	<u>1,562,741</u>	<u>-</u>	<u>1,562,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(77,878)</u>	<u>-</u>	<u>(77,878)</u>
Other financing sources (uses):			
Transfer in	347,667	-	347,667
Transfer out	(10,000)	(201,404)	(211,404)
Total other financing sources (uses)	<u>337,667</u>	<u>(201,404)</u>	<u>136,263</u>
Net change in fund balances	<u>259,789</u>	<u>(201,404)</u>	<u>58,385</u>
Fund balances at beginning of year	<u>526,349</u>	<u>201,404</u>	<u>727,753</u>
Fund balances at end of year	<u>\$ 786,138</u>	<u>\$ -</u>	<u>\$ 786,138</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, 2019

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Tax increment revenues	\$ 75,500	\$ 75,500	\$ 75,398	\$ (102)
Interest	500	500	1,555	1,055
Total revenues	<u>76,000</u>	<u>76,000</u>	<u>76,953</u>	<u>953</u>
Expenditures:				
Debt service	<u>150,500</u>	<u>150,500</u>	<u>150,000</u>	<u>500</u>
Total expenditures	<u>150,500</u>	<u>150,500</u>	<u>150,000</u>	<u>500</u>
Excess of (deficiency) of revenues over (under) expenditures	(74,500)	(74,500)	(73,047)	1,453
Other financing sources (uses):				
Transfer in	<u>35,000</u>	<u>35,000</u>	-	<u>(35,000)</u>
Net change in fund balance	(39,500)	(39,500)	(73,047)	(33,547)
Fund balance at beginning of year	<u>74,500</u>	<u>74,500</u>	<u>95,877</u>	<u>21,377</u>
Fund balance at end of year	<u><u>\$ 35,000</u></u>	<u><u>\$ 35,000</u></u>	<u><u>\$ 22,830</u></u>	<u><u>\$ (12,170)</u></u>

See auditor's report.

CITY OF WALDPORT
SUPPLEMENTARY INFORMATION
JUNE 30, 2019

PROPRIETARY FUNDS

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

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

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, 2019

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Charges for services	\$ 605,264	\$ 605,264	\$ 703,215	\$ 97,951
Total operating revenues	<u>605,264</u>	<u>605,264</u>	<u>703,215</u>	<u>97,951</u>
Operating expenses:				
Materials and services	507,802	507,802	500,245	7,557
Capital outlay	692,382	500,382	381,319	119,063
Contingency	18,404	63,154	-	63,154
Total operating expenses	<u>1,218,588</u>	<u>1,071,338</u>	<u>881,564</u>	<u>189,774</u>
Operating income (loss)	<u>(613,324)</u>	<u>(466,074)</u>	<u>(178,349)</u>	<u>287,725</u>
Nonoperating revenue (expenses):				
Grant proceeds	422,660	265,410	149,556	(115,854)
Loan Proceeds	127,671	127,671	59,278	(68,393)
Interest earnings	1,800	1,800	5,280	3,480
Debt service	(50,120)	(50,120)	(38,717)	11,403
Total nonoperating revenue (expenses)	<u>502,011</u>	<u>344,761</u>	<u>175,397</u>	<u>(169,364)</u>
Income (loss) before transfers	(111,313)	(121,313)	(2,952)	118,361
Transfers in	-	10,000	10,000	
Transfers out	(49,487)	(49,487)	(49,487)	-
Total transfers	<u>(49,487)</u>	<u>(39,487)</u>	<u>(39,487)</u>	<u>-</u>
Change in net working capital	(160,800)	(160,800)	(42,439)	118,361
Net working capital at beginning of year	<u>210,800</u>	<u>210,800</u>	<u>252,819</u>	<u>42,019</u>
Net working capital at end of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>	210,380	<u>\$ 160,380</u>
Reconciliation to generally accepted accounting principles basis				
Change in receivable			(167,256)	
Change in inventory			(2,942)	
Change in accounts payable			164,678	
Change in accrued interest payable			(223)	
Change in current portion of long-term debt			8,593	
GAAP basis net working capital			<u>\$ 213,230</u>	

See auditor's report.

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, 2019

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Charges for services	\$ 662,354	\$ 662,354	\$ 693,510	\$ 31,156
Total operating revenues	<u>662,354</u>	<u>662,354</u>	<u>693,510</u>	<u>31,156</u>
Operating expenses:				
Materials and services	538,000	538,000	535,509	2,491
Capital outlay	218,000	218,000	45,955	172,045
Contingency	29,436	29,436	-	29,436
Total operating expenses	<u>785,436</u>	<u>785,436</u>	<u>581,464</u>	<u>203,972</u>
Operating income (loss)	<u>(123,082)</u>	<u>(123,082)</u>	<u>112,046</u>	<u>235,128</u>
Nonoperating revenue (expenses):				
Interest earnings	3,500	3,500	8,293	4,793
Debt service	(45,418)	(45,418)	(45,418)	-
Total nonoperating revenue (expenses)	<u>(41,918)</u>	<u>(41,918)</u>	<u>(37,125)</u>	<u>4,793</u>
Income (loss) before transfers and contributions	(165,000)	(165,000)	74,921	239,921
Transfers out	<u>(64,182)</u>	<u>(64,182)</u>	<u>(64,182)</u>	<u>-</u>
Change in net working capital	(229,182)	(229,182)	10,739	239,921
Net working capital at beginning of year	<u>229,182</u>	<u>229,182</u>	<u>411,834</u>	<u>182,652</u>
Net working capital at end of year	<u>\$ -</u>	<u>\$ -</u>	422,573	<u>\$ 422,573</u>
Reconciliation to generally accepted accounting principles basis				
Change in receivable allowance			7,003	
Change in assessments receivable			-	
Change in inventory			149	
Change in accounts payable			(2,253)	
Change in accrued interest payable			184	
Change in current portion of long-term debt			<u>(735)</u>	
GAAP basis net working capital			<u>\$ 426,921</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, 2019

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Charges for services	\$ 981,120	\$ 981,120	\$ 955,926	\$ (25,194)
Total operating revenues	<u>981,120</u>	<u>981,120</u>	<u>955,926</u>	<u>(25,194)</u>
Operating expenses:				
Personnel services	841,430	841,430	805,499	35,931
Materials and services	89,700	89,700	81,914	7,786
Capital outlay	89,000	89,263	89,263	-
Debt service	30,370	30,370	30,370	-
Contingency	37,063	36,800	-	36,800
Total operating expenses	<u>1,087,563</u>	<u>1,087,563</u>	<u>1,007,046</u>	<u>80,517</u>
Operating income (loss)	(106,443)	(106,443)	(51,120)	55,323
Nonoperating revenue (expenses):				
Miscellaneous	28,062	28,062	-	(28,062)
Interest earnings	1,200	1,200	2,372	1,172
Total nonoperating revenue (expenses)	<u>29,262</u>	<u>29,262</u>	<u>2,372</u>	<u>(26,890)</u>
Change in net working capital	(77,181)	(77,181)	(48,748)	28,433
Net working capital at beginning of year	<u>77,181</u>	<u>77,181</u>	<u>90,197</u>	<u>13,016</u>
Net working capital at end of year	<u>\$ -</u>	<u>\$ -</u>	41,449	<u>\$ 41,449</u>
Reconciliation to generally accepted accounting principles basis				
Change in accrued compensation payable			(3,048)	
Change in accrued interest payable			301	
Change in current portion of long term debt			(516)	
GAAP basis net working capital			<u>\$ 38,186</u>	

See auditor's report.

***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
Eugene OR 97401

**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 30, 2019

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, 2019, 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, 2019.

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.

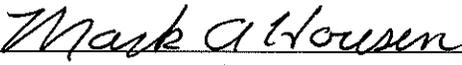
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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

Certified Public Accountants

Eugene, Oregon

September 30, 2019

*INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE STATE OF
OREGON MINIMUM STANDARDS FOR AUDITS OF OREGON
MUNICIPAL CORPORATION*

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
Eugene OR 97401

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

September 30, 2019

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, 2019, and have issued our report thereon dated September 24, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

The requirements relating to debt.

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

The requirements relating to insurance and fidelity bond coverage.

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

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

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

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

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

OAR 162-10-230 Internal Control

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

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

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

Purpose of this Report

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



Emerald CPA Group LLP
Certified Public Accountants
Eugene, Oregon
September 30, 2019