

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

FINANCIAL REPORT

**WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

Mayor & City Council

June 30, 2018

<u>Name</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Todd McKnight	Mayor	December 31, 2018
Wayne Luzier	Council President	December 31, 2018
Forrest Stone	City Councilor	December 31, 2020
Michelle Sumner	City Councilor	December 31, 2018
Tom Boggs	City Councilor	December 31, 2018
Seth Vincent	City Councilor	December 31, 2020
Travis Tomlinson	City Councilor	December 31, 2020

All council members will receive mail at the following address:

City of Sutherlin
126 East Central Ave.
Sutherlin, Oregon 97479

ADMINISTRATION

Jerry Gilliam, City Manager
Dan Wilson, Finance Director

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

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CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.
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October 22, 2018

To the City Council
City of Sutherlin
Sutherlin, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Sutherlin at June 30, 2018 and the results of its operations and cash flows 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 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 supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.

The listing of Council members containing their term expiration dates, located before the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 22, 2018 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and "A".

Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

CITY OF SUTHERLIN
Management's Discussion and Analysis
For the Year Ended June 30, 2018

The management of the City of Sutherlin, Oregon presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2018. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

Financial Highlights

- The City's total assets increased \$1,994,625 from \$43,521,888 to \$45,516,513, or 4.6%. Capital assets, net of depreciation and related debt decreased \$1.71 million, or 5.1%. Additionally, cash and investments increased by \$235,742 from \$8,139,602 to \$8,375,344, or 2.9%.
- The City's total liabilities increased \$1,380,171 from \$16,505,842 to \$17,886,013. This is largely due to an increase in accounts payable, \$1,562,299.
- The total net position of the City (assets minus liabilities) decreased \$149,801 from \$28,375,801 to \$28,226,000, or (0.5%). Unrestricted net position ended the year at \$3,572,728, a decrease of \$2,132,628, or (37.4%). At the end of last fiscal year the City had received funds from ODOT for street improvements which were expended during this fiscal year causing the decrease in unrestricted funds.
- The City's governmental funds reported combined ending fund balances of \$4,402,688, a decrease of \$1,993,337, or (31.2%). This decrease was largely due to the expenditure of ODOT funds received at the end of last fiscal year for street improvements as mentioned above. \$2,034,740 is unassigned and available for spending at the government's discretion. This is an increase of \$326,483, or 19.1%, over last year.
- The General Fund's unassigned ending fund balance is \$2,034,740. This represents 45.2% of total General Fund expenditures for the year. Last year was at 37.8%.

Overview of the Financial Statements

The City's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period. Examples of such items include earned (assessed/levied), but uncollected property taxes, and earned, but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include the following:

- General Government
- Public Safety
- Highways and Streets
- Culture and Recreation
- Tourism

The Business-type activities of the City include the following:

- Wastewater
- Water

The government-wide financial statements can be found on pages 2 through 3-A in the basic financial statements section.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements,

governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages four through seven in the basic financial statements.

The City maintains 16 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report two major funds: General and Street Construction. Data for the other 14 governmental funds are aggregated into a single column in the fund financials.

Summary fund data by fund-type for these non-major governmental funds is provided in the form of combining statements on pages 42 through 43-A. Individual fund data for each of these non-major governmental funds is provided as supplementary information in the form of schedules of revenues, expenditures and changes in fund balance on pages 44 through 57.

In order to provide prudent and responsible control over city expenditures and revenues, the City adopts an annual budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General Fund and the other major funds as required supplementary information on pages 36 and 37. Budgetary comparisons for all other governmental funds have been provided as other supplementary information on pages 44 through 57.

The governmental fund financial statements can be found on pages 4 through 7 in the basic financial statements.

Proprietary funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains two types of proprietary funds; namely, enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water utility and wastewater utility operations. The enterprise funds are

reported separately in the proprietary fund financial statements in the basic financial statements and can be found on pages 8 through 10-A.

Internal service funds act like a rental agency of personnel, equipment and materials to support the activities of other funds. Internal service funds are supported by direct charges to other funds and do not accrue a cash balance. The City uses an internal service fund to support the city building/facilities, streets/drainage, water, and wastewater activities. The internal service fund is reported separately in the proprietary fund financial statements in the basic financial statements and can be found on pages 8 through 10-A.

In order to provide prudent and responsible control over City expenditures and revenues, the City adopts an annual budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise and internal service funds as other supplementary information on pages 38 through 41 and 61 through 66.

Fiduciary funds. Fiduciary funds of the City are agency funds which hold assets on behalf of others. The City maintains one agency fund: Municipal Court.

Since the fund is held in trust for other parties the City does not budget these funds. The funds are however audited and corresponding information on their activities can be found on pages 11 and 67.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them. The notes can be found on pages 12 through 33.

Other supplementary information. The combining statements and schedules referred to earlier follow the notes in this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,226,000 at the close of the most recent fiscal year.

The largest portion of the City's net position, 79.2% reflects its investment in capital assets (e.g., land and right of way, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it

should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sutherlin's Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Assets						
Current assets	\$ 6,082,450	\$ 5,300,462	\$ 3,756,670	\$ 4,818,516	\$ 9,839,120	\$ 10,118,978
Noncurrent Assets	7,024,471	9,376,335	26,658,297	26,021,200	33,682,768	35,397,535
Total assets	<u>13,106,921</u>	<u>14,676,797</u>	<u>30,414,967</u>	<u>30,839,716</u>	<u>43,521,888</u>	<u>45,516,513</u>
Deferred Outflows of Resources	<u>1,518,754</u>	<u>845,245</u>	<u>-</u>	<u>-</u>	<u>1,518,754</u>	<u>845,245</u>
Liabilities						
Current liabilities	647,988	1,885,884	628,091	987,400	1,276,079	2,873,284
Other liabilities	3,785,363	3,385,402	11,444,400	11,627,327	15,229,763	15,012,729
Total liabilities	<u>4,433,351</u>	<u>5,271,286</u>	<u>12,072,491</u>	<u>12,614,727</u>	<u>16,505,842</u>	<u>17,886,013</u>
Deferred Inflows of Resources	<u>158,999</u>	<u>249,745</u>	<u>-</u>	<u>-</u>	<u>158,999</u>	<u>249,745</u>
Net Position						
Invested in capital assets, net of related debt	5,950,884	8,325,345	14,851,594	14,017,836	20,802,478	22,343,181
Restricted	660,308	490,779	1,207,659	1,819,312	1,867,967	2,310,091
Unrestricted	3,422,133	1,184,887	2,283,223	2,387,841	5,705,356	3,572,728
Total Net Position	<u>\$ 10,033,325</u>	<u>\$ 10,001,011</u>	<u>\$ 18,342,476</u>	<u>\$ 18,224,989</u>	<u>\$ 28,375,801</u>	<u>\$ 28,226,000</u>

An additional portion of the City's assets, 8.2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position \$3,572,728 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's current asset position increased by \$279,858 and the total noncurrent assets increased by \$1,714,767. The increase in Noncurrent Assets is due to the addition of capital assets, mainly in the Streets section, using funds largely received from ODOT last fiscal year.

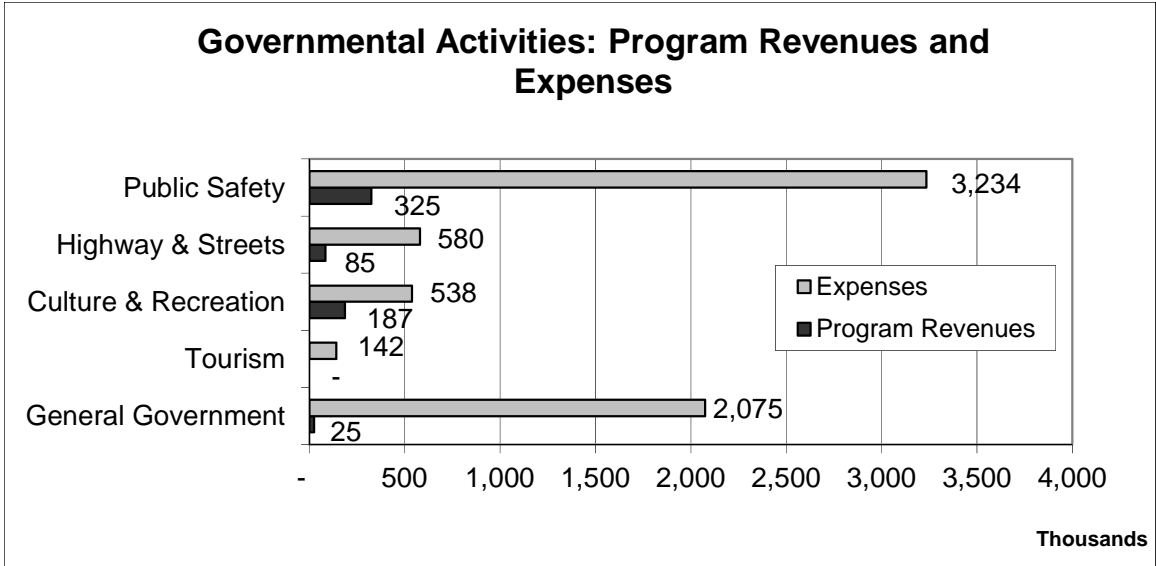
Deferred Outflows of resources, pension and post-retirement related benefits, decreased by \$673,509. Deferred Inflows of Resources, pension and post-retirement related benefits, increased by \$90,746. For additional information regarding these line items, see notes 6 and 13 in the Notes to Basic Financial Statements.

City of Sutherlin's Change in Net Position						
	Governmental		Business-Type		Totals	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program						
Fines, fees, and charges for services	\$ 415,861	\$ 455,690	\$ 4,187,618	\$ 4,340,499	\$ 4,603,479	\$ 4,796,189
Operating grants and contributions	2,453,438	166,292	-	-	2,453,438	166,292
Capital grants and contributions	-	-	-	-	-	-
General						
Property Taxes	2,776,747	2,854,365	-	-	2,776,747	2,854,365
Franchise fees	443,213	452,104	-	-	443,213	452,104
Intergovernmental	1,589,003	1,550,252	-	-	1,589,003	1,550,252
Interest	56,999	100,173	19,672	42,298	76,671	142,471
Miscellaneous	323,027	181,390	-	2	323,027	181,392
Gain (loss) On Disposal	5,750	25,876	-	-	5,750	25,876
Total revenues	<u>8,064,038</u>	<u>5,786,142</u>	<u>4,207,290</u>	<u>4,382,799</u>	<u>12,271,328</u>	<u>10,168,941</u>
Expenses:						
General government	1,643,491	2,075,288	-	-	1,643,491	2,075,288
Public safety	2,778,110	3,234,227	-	-	2,778,110	3,234,227
Highway and streets	3,741,038	579,971	-	-	3,741,038	579,971
Culture and recreation	495,181	537,949	-	-	495,181	537,949
Tourism	114,628	141,758	-	-	114,628	141,758
Interest on long-term debt	19,422	36,238	-	-	19,422	36,238
Wastewater	-	-	1,868,276	1,803,237	1,868,276	1,803,237
Water	-	-	1,704,808	1,770,842	1,704,808	1,770,842
Ambulance	-	-	-	-	-	-
Total expenses	<u>8,791,870</u>	<u>6,605,431</u>	<u>3,573,084</u>	<u>3,574,079</u>	<u>12,364,954</u>	<u>10,179,510</u>
Increase (decrease) in Net Position before transfers	(727,832)	(819,289)	634,206	808,720	(93,626)	(10,569)
Transfers	847,678	926,207	(847,678)	(926,207)	-	-
Change in Net Position	119,846	106,918	(213,472)	(117,487)	(93,626)	(10,569)
Net Position July 1, Restated	9,913,479	9,894,093	18,555,948	18,342,476	28,469,427	28,236,569
Prior Period Adjustment	-	-	-	-	-	-
Net Position June 30	<u>\$ 10,033,325</u>	<u>\$ 10,001,011</u>	<u>\$ 18,342,476</u>	<u>\$ 18,224,989</u>	<u>\$ 28,375,801</u>	<u>\$ 28,226,000</u>

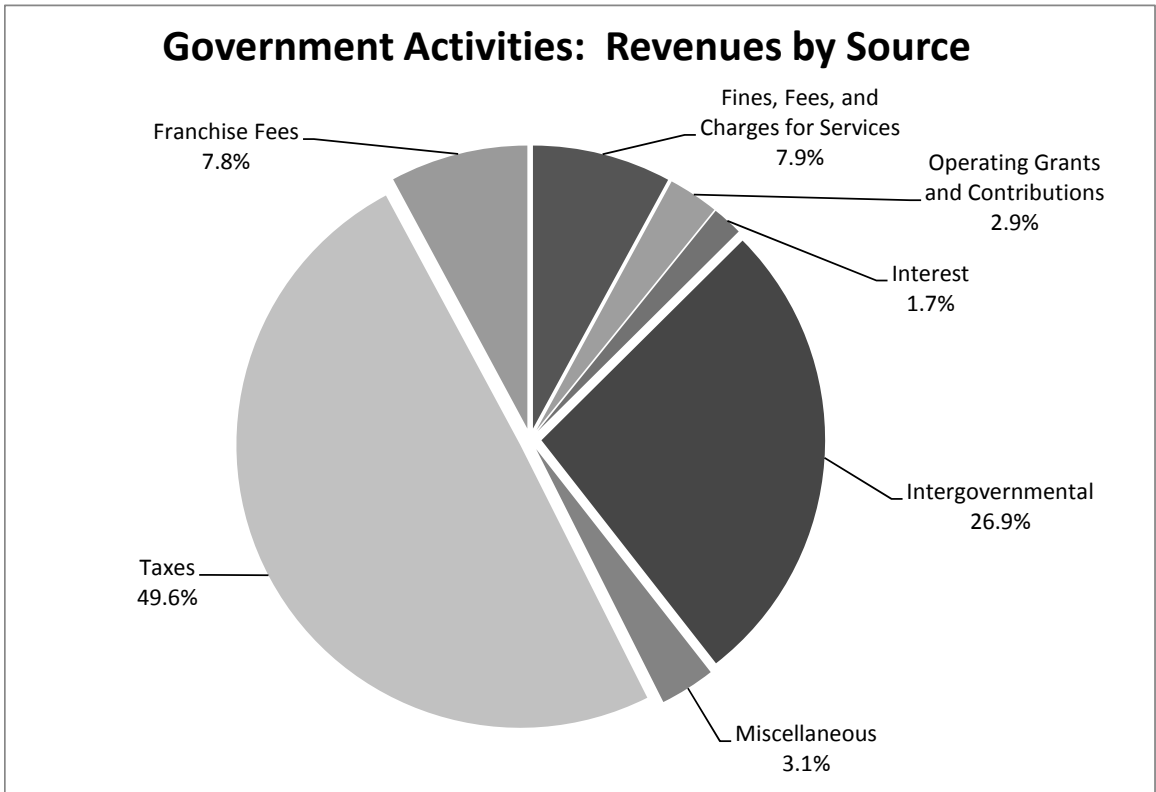
Expenses above include the indirect expenses as allocated in the Statement of Activities on page 3 and 3-A of the basic financial statements.

Governmental activities. Governmental-type activities decreased the City's total net position by \$32,314. Total depreciation attributed to the governmental activities (primarily street infrastructure) was \$531,615 as detailed on page 20 of the notes to basic financial statements.

The next chart compares program revenues and expenses for the individual governmental activities for the fiscal year. As the chart reflects, all governmental activities relied on general revenues to support their functions.

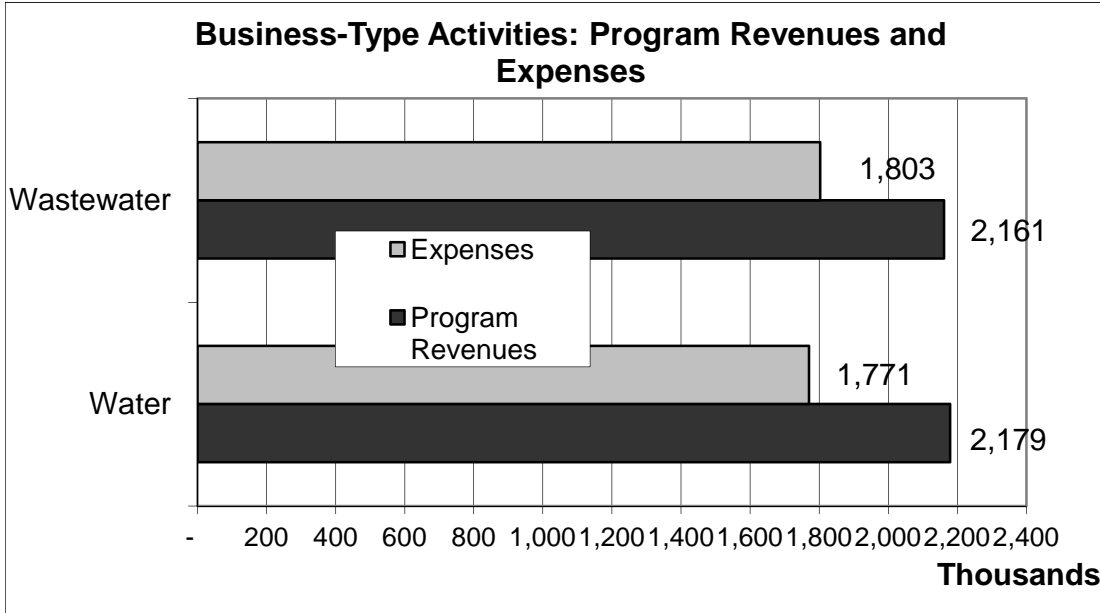


The next chart shows the percent of the total for each source of revenue supporting governmental activities.

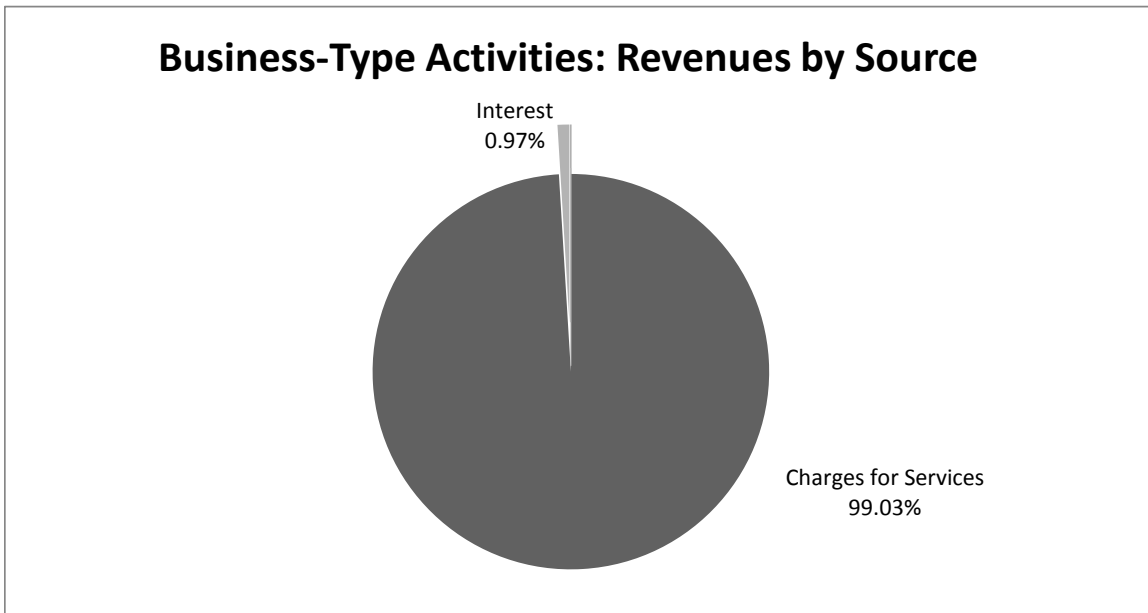


Business-type activities. Business-type activities decreased the City’s net position by \$117,487. Total depreciation attributed to the business-type funds was \$1.10 million as detailed on page 20 of the notes to basic financial statements.

The following chart compares program revenues to expenses by individual business-type activity for the current year. These business-type activities recover more costs through program revenues than governmental activities. As the chart shows, annual revenues for both the Wastewater and Water enterprises exceeded expenses.



The following chart shows that nearly 100% of revenues for business-type activities, for the year, were generated by charges for services.



Capital assets. The City’s investment in capital assets for its governmental and business-type activities amounted to \$35.40 million (net of accumulated depreciation) or an increase of \$1.71 million when compared to last year. This investment in capital

assets includes land, right-of-way (included with land), construction in progress, infrastructure (water distribution lines, wastewater collection lines, pump stations, reservoirs, etc.), water rights (development of), buildings and plant (includes the water treatment plants and the wastewater treatment plant), and vehicles and equipment.

City of Sutherlin's Capital Assets, Net of Accumulated Depreciation						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Land	\$ 1,116,919	\$ 1,116,919	\$ 3,281,776	\$ 3,281,776	\$ 4,398,695	\$ 4,398,695
Construction in progress	524,619	2,260,248	2,691,978	3,046,861	3,216,597	5,307,109
Water Rights	-	-	629,901	635,414	629,901	635,414
Infrastructure	3,202,486	3,676,685	19,768,178	18,786,002	22,970,664	22,462,687
Buildings and plant	1,660,454	1,951,549	216,268	204,531	1,876,722	2,156,080
Vehicles and equipment	519,993	370,934	70,196	66,616	590,189	437,550
	<u>\$ 7,024,471</u>	<u>\$ 9,376,335</u>	<u>\$ 26,658,297</u>	<u>\$ 26,021,200</u>	<u>\$ 33,682,768</u>	<u>\$ 35,397,535</u>

Major capital asset events during the fiscal year included the following:

- Upgrades to the Wastewater Treatment Plant (In Progress at Year-End)
- Central Avenue Improvement Construction (In Progress at Year-End)
- Completion of Central Park Playground and Splash pad improvements
- New Public Safety Equipment
- New Public Safety Vehicles (4)
- New Public Works Vehicle
- Completion of Ford's Pond park master plan
- Various Building Improvement Projects
- Various pavement overlay projects

Additional information on the City's capital assets can be found in note three to the basic financial statements (page 20).

Long-term obligations. At the end of the fiscal year, the City had total long-term obligations totaling \$13,054,354. Outstanding long-term obligations include: \$5,719,986 to be serviced by water user rates and connection fees, \$5,747,043 to be serviced by wastewater user rates and connection fees (all backed by the full faith and credit of the City), and \$536,335 in notes payable to be serviced by water and wastewater revenues. The remaining \$1,050,990 in long-term obligations, or 8.1% of the total long-term obligations, is to be paid by existing general government revenue sources.

City of Sutherlin's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
General obligation bonds	\$ 390,000	350,000	-	-	390,000	350,000
Revenue bonds	-	-	5,910,321	5,719,986	5,910,321	5,719,986
Refunding bonds	-	-	465,000	400,000	465,000	400,000
Note payables	505,000	505,000	5,431,382	5,883,378	5,936,382	6,388,378
Capital leases	-	-	-	-	-	-
Accumulated compensated absences	178,587	195,990	-	-	178,587	195,990
	<u>\$ 1,073,587</u>	<u>1,050,990</u>	<u>11,806,703</u>	<u>12,003,364</u>	<u>12,880,290</u>	<u>13,054,354</u>

The City’s total long-term debt obligation increased by \$174,064 over last fiscal year’s ending balance. The increase is largely due to receipt of interim loan proceeds from DEQ for the wastewater treatment plan upgrade. Accumulated compensated absences netted an increase of \$17,403.

ORS 223.295 limits the amount of general obligation assessment bonded debt which a city may have outstanding at any one time to three percent (3.00%) of the Real Market Value of the City. The City had only the refunding bonds and the Library GO bond as outstanding bonded debt at June 30, 2018. The City’s outstanding obligations subject to bonded debt limitations was \$750,000 or 3.7% of debt capacity.

City of Sutherlin's Remaining Debt Capacity

Real Market Value (fiscal year 2017-2018 Douglas County)	\$ 682,452,506
Debt capacity (3.00% of RMV)	20,473,575
Outstanding Obligations	- 750,000
Remaining Debt Capacity	<u>\$ 19,723,575</u>

Additional information on the City’s long-term obligations can be found in note 5 to the basic financial statements (see pages 21 and 22).

Fund-based Financial Analysis

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City’s governmental funds reported combined ending fund balances of \$4,402,688, a decrease of (\$1,993,037) in comparison with the prior

year. Approximately 46.2% of this total amount, \$2,034,740, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance has some level of restrictions placed upon them, as follows:

- *Nonspendable fund balance* (amounts that are not in a spendable form or are required to be maintained intact) was \$0
- *Restricted fund balance* (amounts constrained to specific purposes by their providers such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation) was \$490,779
- *Committed fund balance* (amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint) was \$993,985
- *Assigned fund balance* (amounts a government *intends* to use for a specific purpose) was \$883,184

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,034,740. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 45.2% of total General Fund expenditures.

The General Fund's overall fund balance increased by \$549,402 due to increased revenues and cost management.

The fund balance of the Street Construction fund decreased by \$885,490 during the fiscal year. As previously mentioned, funds received from ODOT last fiscal year for street improvements were expended this fiscal year.

Finally, the fund balance for all other governmental funds decreased (\$1,656,949). This decrease is also related to the ODOT funds expended as noted above.

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

Unrestricted net position and its percent to total net position of each proprietary fund are as follows:

• Water	214,929	3.1%
• Wastewater	575,100	7.3%
• Water Construction Fund	0	0.0%
• Wastewater Construction Fund	0	0.0%
• Other Non-Major Funds	469,983	33.3%

Restrictions on net position exist in the first four funds above totaling \$879,532 all due to capital projects restrictions in the Water and Wastewater Construction Funds.

Restrictions on net position exist in the Other Non-Major Enterprise Funds totaling \$939,780; debt service restrictions total \$246,738 and capital projects restrictions total \$693,042. These restrictions generally limit the use of monies in the funds to related activities.

Total business-type net position decreased \$117,487 during the fiscal year.

Other factors concerning the finances of proprietary funds can be found in the previous discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The difference between the original general fund budget and the final amended budget was neutral. Adjustments to the General Fund were as follows:

Revenues:

- There were no changes in the budgeted revenues for the fiscal year

Expenditures:

- Non-Departmental increased \$10,000 due to funding the Library Operations Manager position which was not anticipated at the time the budget was prepared
- City Recorder/HR increased by \$18,500 due to departmental restructuring in response to the pending retirement of the current City Recorder
- Finance increased by \$34,500 due to departmental restructuring and response to the pending retirement of the current Utility Billing Clerk
- Contingency decreased \$63,000 to accommodate these increases

There were variations between the final amended budget and the actual year-end amounts in the General Fund; actual expenditures were \$833,848 (16.8%) less than the adjusted budget. This was largely due to cost management in the Fire and Police Departments. Revenues were greater than the adjusted budget by \$108,919 2.8%. This was due to greater amounts received than anticipated for Fines and Forfeitures and Miscellaneous Revenues. Actual transfers in were the same as the final amended budget.

During the year, prior to transfers in and out, actual expenditures exceeded actual revenues by \$159,176. Net transfers in and out of the General Fund amounted to \$479,100. The net effect of revenues, expenditures, and transfers was a \$319,924 increase in fund balance.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2018-2019 budget:

- Last fiscal year the increase in property tax revenue was 3.5% and real market value increased 4.1%. The city chose to increase budgeted tax revenue for the 2018-2019 fiscal year by 2.0% based on recent historical trends.
- Cost of Living Adjustment (COLA) is calculated to be 2.0% for all sworn police officers, fire department employees, and those who supervise them and 2.0% for all other represented and non-represented employees.
- Water rates will be increased by 3.6% as of August 1, 2018 for the annual CPI adjustment. Wastewater rates were completely revised during fiscal year 2014-15 in order to provide equity among the rate classes. The new rates were effective December 1, 2015 and will then increase every August 1 for the following five years thereafter. The rate of increase/decrease will vary depending on the rate class. The overall projected increase for the year equates to 17.2% over last year's budgeted amount. These increases are needed to support the future debt service for the wastewater treatment plant upgrade.
- While hopeful for the future we expect the local economy will continue to see limited growth.
- Interest rates on investments will average during the fiscal year to 1.0%.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Dan Wilson,
Finance Director
City of Sutherlin
126 E. Central Ave.
Sutherlin, OR 97479

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON
BASIC FINANCIAL STATEMENTS

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS TYPE	TOTAL
ASSETS			
Cash and Investments	\$ 5,553,700	\$ 2,821,644	\$ 8,375,344
Receivables	913,809	801,137	1,714,946
Prepays	-	28,688	28,688
Interfund Loans	(39,218)	39,218	-
Internal Balances	(1,127,829)	1,127,829	-
Total Current Assets	5,300,462	4,818,516	10,118,978
Noncurrent Assets:			
Capital Assets, net	9,376,335	26,021,200	35,397,535
Total Assets	14,676,797	30,839,716	45,516,513
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Deferrals - Implicit Subsidy	7,661	-	7,661
Pension Related Deferrals - Oregon PERS	837,584	-	837,584
Total Deferred Outflows	845,245	-	845,245
LIABILITIES			
Accounts Payable	1,640,708	489,348	2,130,056
Accrued Expenses	9,186	-	9,186
Customer Deposits	-	73,656	73,656
Accrued Interest Payable	-	48,359	48,359
Long-term Debt:			
OPEB Net Pension Liability - Implicit Subsidy	145,603	-	145,603
Proportionate Share of Net Pension Liability	2,424,799	-	2,424,799
Due Within One Year	240,990	376,037	617,027
Due In More Than One Year	810,000	11,627,327	12,437,327
Total Liabilities	5,271,286	12,614,727	17,886,013
DEFERRED INFLOWS OF RESOURCES			
OPEB Deferrals - Implicit Subsidy	8,381	-	8,381
Pension Related Deferrals - Oregon PERS	241,364	-	241,364
Total Deferred Inflows	249,745	-	249,745
NET POSITION:			
Net Investment in			
Capital Assets	8,521,335	14,017,836	22,539,171
Restricted for:			
Bond Covenants	-	201,638	201,638
Debt Service	15,200	45,100	60,300
Capital Projects	475,579	1,572,574	2,048,153
Unrestricted	988,897	2,387,841	3,376,738
Total Net Position	\$ 10,001,011	\$ 18,224,989	\$ 28,226,000

The accompanying notes are an integral part of the basic financial statements.

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 2,075,288	\$ 24,311	\$ 500	\$ -
Public Safety & Fire	3,234,227	317,354	7,500	-
Highways and Streets	579,971	85,492	-	-
Culture and Recreation	537,949	28,533	158,292	-
Tourism	141,758	-	-	-
Interest on Long-term Debt	36,238	-	-	-
Total Governmental Activities	<u>6,605,431</u>	<u>455,690</u>	<u>166,292</u>	<u>-</u>
Business-Type Activities				
Wastewater	1,803,237	2,161,187	-	-
Water	1,770,842	2,179,312	-	-
Total Business Activities	<u>3,574,079</u>	<u>4,340,499</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 10,179,510</u>	<u>\$ 4,796,189</u>	<u>\$ 166,292</u>	<u>\$ -</u>

General Revenues:
 Property Taxes
 Franchise Taxes
 Intergovernmental
 Miscellaneous
 Interest
 Gain/(Loss) On Disposal
 Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position, Restated

Ending Net Position

The accompanying notes are an integral part of the basic financial statements.

Net Revenues (Expenses) and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,050,477)	\$ -	\$ (2,050,477)
(2,909,373)	-	(2,909,373)
(494,479)	-	(494,479)
(351,124)	-	(351,124)
(141,758)	-	(141,758)
(36,238)	-	(36,238)
(5,983,449)	-	(5,983,449)
-	357,950	357,950
-	408,470	408,470
-	766,420	766,420
(5,983,449)	766,420	(5,217,029)
2,854,365	-	2,854,365
452,104	-	452,104
1,550,252	-	1,550,252
181,390	2	181,392
100,173	42,298	142,471
25,876	-	25,876
926,207	(926,207)	-
6,090,367	(883,907)	5,206,460
106,918	(117,487)	(10,569)
9,894,093	18,342,476	28,236,569
\$ 10,001,011	\$ 18,224,989	\$ 28,226,000

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	GENERAL FUND	STREET CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	\$ 2,784,906	\$ 1,954,714	\$ 701,086	\$ 5,440,706
Accounts Receivable	432,295	374,569	105,612	912,476
Prepays	-	-	-	-
Total Assets	<u>\$ 3,217,201</u>	<u>\$ 2,329,283</u>	<u>\$ 806,698</u>	<u>\$ 6,353,182</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 47,483	\$ 1,528,327	\$ 58,100	\$ 1,633,910
Interfund Payable	-	-	39,218	39,218
Accrued Expenses	9,186	-	-	9,186
Total Liabilities	56,669	1,528,327	97,318	1,682,314
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	262,344	-	5,836	268,180
Total Liabilities and Deferred Inflows	<u>319,013</u>	<u>1,528,327</u>	<u>103,154</u>	<u>1,950,494</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	490,779	490,779
Committed	-	800,956	193,029	993,985
Assigned	863,448	-	19,736	883,184
Unassigned	2,034,740	-	-	2,034,740
Total Fund Balances	<u>2,898,188</u>	<u>800,956</u>	<u>703,544</u>	<u>4,402,688</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,217,201</u>	<u>\$ 2,329,283</u>	<u>\$ 806,698</u>	<u>\$ 6,353,182</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION

June 30, 2018

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

Fund Balances	\$ 4,402,688
The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net position includes those capital assets among the assets of the City as a whole.	
Net Capital Assets	9,376,335
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Long-term Obligations	(1,050,990)
The Net Pension Asset (Liability), and deferred inflows and outflows related to the Net Pension Asset is the difference between the total pension liability and assets set aside to pay benefits earned to past and current employees and beneficiaries	
	(1,974,902)
The internal service fund is not reported in the governmental funds but is included in the government-wide governmental activities.	
Net Position of internal service fund	(1,020,300)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Unearned/Unavailable Revenue	<u>268,180</u>
Total Net Position	<u>\$ 10,001,011</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

	GENERAL FUND	STREET CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Property Taxes	\$ 2,808,881	\$ -	\$ 51,000	\$ 2,859,881
Franchise Fees	452,104	-	-	452,104
System Development Charges	-	-	110,492	110,492
Assessments	-	-	182,510	182,510
Grants and Contributions	-	-	161,958	161,958
Licences, Permits and Fees	2,275	-	-	2,275
Fines and Forfeitures	109,019	-	-	109,019
Charges for Services	22,885	-	-	22,885
Intergovernmental	494,460	570,000	513,701	1,578,161
Interest	43,595	28,962	27,616	100,173
Miscellaneous	45,910	-	135,917	181,827
Total Revenues	3,979,129	598,962	1,183,194	5,761,285
EXPENDITURES				
Current:				
General Government	1,552,382	-	-	1,552,382
Culture and Recreation	148,545	-	112,229	260,774
Tourism	-	-	109,795	109,795
Highways and Streets	-	-	123,616	123,616
Public Safety and Fire	2,419,804	-	-	2,419,804
Debt Service	-	-	58,784	58,784
Capital Outlay	383,971	3,385,039	175,532	3,944,542
Total Expenditures	4,504,702	3,385,039	579,956	8,469,697
Excess of Revenues Over, (Under) Expenditures	(525,573)	(2,786,077)	603,238	(2,708,412)
OTHER FINANCING SOURCES, (USES)				
Interfund Loans	-	-	-	-
Loan Proceeds	-	-	-	-
Surplus Property	25,875	-	-	25,875
Transfers In	1,610,100	1,900,587	30,000	3,540,687
Transfers Out	(561,000)	-	(2,290,187)	(2,851,187)
Total Other Financing Sources, (Uses)	1,074,975	1,900,587	(2,260,187)	715,375
Net Change in Fund Balance	549,402	(885,490)	(1,656,949)	(1,993,037)
Beginning Fund Balance	2,348,786	1,686,446	2,360,493	6,395,725
Ending Fund Balance	<u>\$ 2,898,188</u>	<u>\$ 800,956</u>	<u>\$ 703,544</u>	<u>\$ 4,402,688</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2018

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures	\$ (1,993,037)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital Outlay	2,908,621
Depreciation Expense	(531,615)
<p>The Pension Expense and the changes in deferred inflows and outflows related to the Net Pension Asset represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.</p>	
	(265,062)
<p>Internal service funds are used by management to charge the costs of various function to the individual funds. The net revenue (expense) of the internal service fund is allocated between governmental and business-type activities.</p>	
	(3,928)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.</p>	
Principal payments on long-term obligations/Accrued Vacation	(2,545)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Unearned/Unavailable Revenue	<u>(5,516)</u>
Change in Net Position	<u>\$ 106,918</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

**STATEMENT OF PROPRIETARY NET POSITION
June 30, 2018**

	WATER FUND	WASTEWATER FUND	WATER CONSTRUCTION FUND
ASSETS			
Current Assets			
Cash and Investments	\$ 173,437	\$ 432,638	\$ 743,265
Accounts Receivable, net	218,620	180,805	-
Interfund Loan	-	-	-
Prepays	-	-	-
Total Current Assets	<u>392,057</u>	<u>613,443</u>	<u>743,265</u>
Noncurrent Assets			
Bond Issue Costs, net	-	-	-
Capital Assets, Net	<u>13,015,295</u>	<u>13,005,905</u>	<u>-</u>
Total Noncurrent Assets	13,015,295	13,005,905	-
Total Assets	<u>\$ 13,407,352</u>	<u>\$ 13,619,348</u>	<u>\$ 743,265</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 55,113	\$ 38,343	\$ -
Accrued Expenses	-	-	-
Bond Premium, net	-	-	-
Customer Deposits	73,656	-	-
Accrued Interest Payable	48,359	-	-
Long Term Debt, Current Position	<u>221,093</u>	<u>154,944</u>	<u>-</u>
Total Current Liabilities	<u>398,221</u>	<u>193,287</u>	<u>-</u>
Long-term Liabilities			
Long Term Debt, Net of Current Position	<u>6,035,228</u>	<u>5,592,099</u>	<u>-</u>
Total Long-term Liabilities	<u>6,035,228</u>	<u>5,592,099</u>	<u>-</u>
Total Liabilities	<u>6,433,449</u>	<u>5,785,386</u>	<u>-</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	6,758,974	7,258,862	-
Restricted for:			
Bond Covenants	-	-	-
Debt Services	-	-	-
Capital Projects	-	-	743,265
Unrestricted	<u>214,929</u>	<u>575,100</u>	<u>-</u>
Total Net Position	<u>6,973,903</u>	<u>7,833,962</u>	<u>743,265</u>
Total Liabilities and Fund Equity	<u>\$ 13,407,352</u>	<u>\$ 13,619,348</u>	<u>\$ 743,265</u>

The accompanying notes are an integral part of the basic financial statement

WASTEWATER CONSTRUCTION FUND	OTHER NONMAJOR FUNDS	TOTAL	INTERNAL SERVICE FUND
\$ 370,817	\$ 1,101,487	\$ 2,821,644	\$ 112,994
161,342	240,370	801,137	1,331
-	39,218	39,218	-
-	28,688	28,688	-
532,159	1,409,763	3,690,687	114,325
-	-	-	-
-	-	26,021,200	-
-	-	26,021,200	-
\$ 532,159	\$ 1,409,763	\$ 29,711,887	\$ 114,325
\$ 395,892	\$ -	\$ 489,348	\$ 2,863
-	-	-	3,935
-	-	-	-
-	-	73,656	-
-	-	48,359	-
-	-	376,037	-
395,892	-	987,400	6,798
-	-	11,627,327	-
-	-	11,627,327	-
395,892	-	12,614,727	6,798
-	-	14,017,836	-
-	201,638	201,638	-
-	45,100	45,100	-
136,267	693,042	1,572,574	-
-	469,983	1,260,012	107,527
136,267	1,409,763	17,097,160	107,527
\$ 532,159	\$ 1,409,763	\$ 29,711,887	\$ 114,325

Net Position Above	17,097,160
Internal Service Activities related to Business Typ	1,127,829
Total Net Position Business Type Activitie	<u>18,224,989</u>

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

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

	WATER FUND	WASTEWATER FUND	WATER CONSTRUCTION FUND
OPERATING REVENUES			
Charges for Services	\$ 2,080,543	\$ 2,127,720	\$ -
Miscellaneous	499	14,218	-
Total Operating Revenues	<u>2,081,042</u>	<u>2,141,938</u>	<u>-</u>
OPERATING EXPENSES			
Personal Service	-	-	-
Materials and Services	357,566	561,745	10,547
Depreciation and Amortization	462,987	639,783	-
Total Operating Expenses	<u>820,553</u>	<u>1,201,528</u>	<u>10,547</u>
Operating Income -Loss	<u>1,260,489</u>	<u>940,410</u>	<u>(10,547)</u>
NONOPERATING REVENUES, (EXPENSES)			
Interest	6,051	6,771	7,755
Debt Proceeds	-	-	-
Interest Expense	-	-	-
System Development Charges	10,127	-	88,143
Invergovernmental	-	-	-
Miscellaneous	-	-	-
Total Nonoperating Revenues (Expenses)	<u>16,178</u>	<u>6,771</u>	<u>95,898</u>
Capital Contributions	283,728	(12,481)	-
Transfers In	-	-	450,000
Transfers Out	(1,856,400)	(1,329,100)	-
Change in Net Position	<u>(296,005)</u>	<u>(394,400)</u>	<u>535,351</u>
Net Position (Deficit), Beginning of Year, Restated	<u>7,269,908</u>	<u>8,228,362</u>	<u>207,914</u>
Net Position (Deficit), end of yea	<u>\$ 6,973,903</u>	<u>\$ 7,833,962</u>	<u>\$ 743,265</u>

The accompanying notes are an integral part of the basic financial statements.

WASTEWATER CONSTRUCTION FUND	OTHER NONMAJOR FUNDS	TOTAL	INTERNAL SERVICE FUND
\$ -	\$ 24,429	\$ 4,232,692	\$ -
-	-	14,717	3,993
-	24,429	4,247,409	3,993
-	-	-	1,159,880
792,352	46,366	1,768,576	47,619
-	-	1,102,770	-
792,352	46,366	2,871,346	1,207,499
(792,352)	(21,937)	1,376,063	(1,203,506)
4,910	14,840	40,327	2,473
609,181	-	609,181	-
-	(633,274)	(633,274)	-
7,301	-	105,571	-
-	-	-	-
-	2	2	-
621,392	(618,432)	121,807	2,473
-	-	271,247	-
100,000	780,000	1,330,000	1,291,000
-	-	(3,185,500)	(125,000)
(70,960)	139,631	(86,383)	(35,033)
207,227	1,270,132	17,183,543	142,560
\$ 136,267	\$ 1,409,763	\$ 17,097,160	\$ 107,527

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

	WATER FUND	WASTEWATER FUND	WATER CONSTRUCTION FUND
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,077,864	\$ 2,120,803	\$ -
Cash Paid to Suppliers	(344,082)	(553,455)	(41,613)
Net Cash Provided (Used) by Operating Activities	<u>1,733,782</u>	<u>1,567,348</u>	<u>(41,613)</u>
Cash Flows from Noncapital Financing Activities:			
Miscellaneous	10,127	-	88,143
Interfund Loans	-	-	-
Transfers	(1,856,400)	(1,329,100)	450,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,846,273)</u>	<u>(1,329,100)</u>	<u>538,143</u>
Cash Flows from Capital and Related Financing Activities:			
Bond Proceeds	-	-	-
Interfund Loan	25,142	-	-
Payments on debt	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>25,142</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:			
Purchase of Capital Assets	-	-	-
Earnings on Investments	6,051	6,771	7,755
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(81,298)</u>	<u>245,019</u>	<u>504,285</u>
Cash and Investments at Beginning of Year	<u>254,735</u>	<u>187,619</u>	<u>238,980</u>
Cash and Investments at End of Year	<u>\$ 173,437</u>	<u>\$ 432,638</u>	<u>\$ 743,265</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income, (Loss)	\$ 1,260,489	\$ 940,410	\$ (10,547)
Noncash Items Included in Income:			
Depreciation	462,987	639,783	-
Decrease (Increase) in Accounts Receivable	(8,117)	(21,135)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	13,484	8,290	(31,066)
Increase (Decrease) in Customer Deposits	4,939	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,733,782</u>	<u>\$ 1,567,348</u>	<u>\$ (41,613)</u>

Noncash Transactions:

All of the enterprise funds have their debt and capital assets purchased/paid for them. The funds recognized capital contributions on the Statement of Revenues and Expenses to account for this activity. The Water and Wastewater funds had the following noncash transactions for capital contributions: \$312,697 and \$596,700, respectively.

The accompanying notes are an integral part of the basic financial statements.

WASTEWATER CONSTRUCTION FUND	OTHER NONMAJOR FUNDS	TOTAL	INTERNAL SERVICE FUND
\$ (161,342)	\$ 63,489	\$ 4,100,814	\$ 3,993
(441,414)	(47,376)	(1,427,940)	(1,208,001)
(602,756)	16,113	2,672,874	(1,204,008)
7,301	-	105,571	-
-	33,282	33,282	-
100,000	780,000	(1,855,500)	1,166,000
107,301	813,282	(1,716,647)	1,166,000
609,181	-	609,181	-
-	-	25,142	-
-	(633,274)	(633,274)	-
609,181	(633,274)	1,049	-
4,910	17,140	42,627	2,473
118,636	213,261	999,903	(35,535)
252,181	888,226	1,821,741	148,529
<u>\$ 370,817</u>	<u>\$ 1,101,487</u>	<u>\$ 2,821,644</u>	<u>\$ 112,994</u>
\$ (792,352)	\$ (21,937)	\$ 1,376,063	\$ (1,203,506)
-	-	1,102,770	-
(161,342)	38,050	(152,544)	-
350,938	-	341,646	(502)
-	-	4,939	-
<u>\$ (602,756)</u>	<u>\$ 16,113</u>	<u>\$ 2,672,874</u>	<u>\$ (1,204,008)</u>

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

STATEMENT OF FIDUCIARY ASSETS
FIDUCIARY FUNDS
June 30, 2018

	<u>Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ (7,788)
Accounts Receivable	<u>1,872</u>
Total Assets	<u><u>\$ (5,916)</u></u>
LIABILITIES	
Accounts Payable	\$ 7,358
Amounts held in trust	<u>(13,274)</u>
Total Liabilities	<u><u>\$ (5,916)</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION (REPORTING ENTITY)

The City was incorporated in 1911. Control of the City is vested in its mayor and council members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Mayor and Council. The chief administrative officer is the City Manager.

The accompanying financial statements present all activities, funds, and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with no includable component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements and proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The City has elected not to follow FASB pronouncements issued after November 30, 1989.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT PRESENTATION (CONTINUED)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

General - accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations, highways and streets, public safety, tourism, and culture and recreation.

Street Construction - accounts for the cost of construction of City streets and storm water drainage systems.

The City reports the following major proprietary funds:

Water - accounts for the operation of the water system.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Wastewater – accounts for the operation of the wastewater treatment plant and collection system.

Water Construction – accounts for the receipt and disbursement of funds for major replacement or additions to the water system infrastructure. The principal sources of revenues are transfers from the Water fund and water system development charges.

Wastewater Construction – accounts for the receipt and disbursement of funds for major replacement or additions to the wastewater system infrastructure. The principal sources of revenues are loan proceeds.

The City also includes the following fund types as other governmental funds and other enterprise funds:

Special revenue – accounts for revenue derived from specific taxes or other revenue sources, which are legally restricted to particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Debt service – accounts for repayment of principal and interest on its outstanding loan.

Capital projects – accounts for expenditures on major construction projects. The principal sources of revenues are proceeds from donations.

Enterprise – accounts for the operations of predominantly self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis, and internal service funds account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Agency – accounts for resources received and held by the City in a fiduciary capacity. Disbursements from these funds are made in accordance with applicable legislative enactment.

D. BUDGETS POLICIES AND BUDGETARY CONTROL

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The City established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS POLICIES AND BUDGETARY CONTROL (CONTINUED)

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City council must authorize all appropriation transfers and supplementary budgetary appropriations. The City's disbursements did not exceed appropriations.

E. COMPENSATED ABSENCES - SICK LEAVE

The City has a policy which permits full-time employees to accumulate sick leave at the rate of one day per month up to 2,000 hours.

F. USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

G. CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

H. RECEIVABLES

Property taxes are assessed and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable collected within 60 days subsequent to year-end are considered measurable and available, and are recognized as revenues. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period.

Receivables for federal and state grants and state, county, and local shared revenue are recorded as revenue in all fund types as earned. Receivables of the Proprietary Funds are recorded as revenue in all funds as earned. The allowance for doubtful accounts is established on a historical view of delinquencies.

I. CAPITAL ASSETS

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems acquired since July 1, 2003 are recorded at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. CAPITAL ASSETS (CONITNUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during the construction periods is capitalized when material.

Capital assets are depreciated using the straight line method over the following estimated useful lives.

Assets	10- 50
Buildings	20-40
Improvements other than buildings	4-10
Equipment	20-30
Streets	20-50
Distribution and collection systems	18

J. FUND EQUITY

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- *Nonspendable* fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.
- *Restricted* fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- *Committed* fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- *Assigned* fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The City Council has granted the City Manager and the Finance Director the authority to classify portions of ending fund balance as Assigned.
- *Unassigned* fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The Council has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. FUND EQUITY

To preserve a sound financial system and to provide a stable financial base, the Council has adopted the following fund balance policy: The City shall strive to maintain the General Fund undesignated fund balance at 35% or four months of regular general fund operating expenditures. In enterprise funds, the City shall strive to maintain positive retained earnings positions to provide sufficient reserves for emergencies and revenue shortfalls. Specifically, in the Water and Sewer Enterprise Fund, an operating reserve will be established and maintained at 20 percent of the current year's budget appropriation for operation and maintenance, which is defined as the total budget less debt service and capital projects expenditures. The City shall not regularly maintain positive retained earnings in internal service funds. When an internal service fund builds up retained earnings, the City shall transfer it to other operating funds. The City shall maintain sufficient reserves in its debt service funds which shall equal or exceed the reserve fund balances required by bond ordinances.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. RETIREMENT PLANS

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's 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. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2015.

M. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2018. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2018, the fair value of the position in the LGIP is 100.57% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Credit risk: Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-I by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

2. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2018, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	More than 18
State Treasurer's Investment Pool	\$ 7,999,501	\$ 7,999,501	\$ -	\$ -
Total	<u>\$ 7,999,501</u>	<u>\$ 7,999,501</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk: The City's policy to manage its exposure to fair-value losses arising from increases in interest rates is to limit investment maturities to 18 months.

Concentration of Credit Risk: The City policy does not allow for an investment in anyone issuer that is in excess of 50 percent of the City's total investments with the exception of the LGIP, Treasury Direct, or the City's banking institution.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. None of the City's investments have custodial credit risk. The City's policy does not limit the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits: This is the risk that, in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides Insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program. Oregon Revised Statutes and City policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. As of June 30, 2018, the total bank balance per the bank statements was \$538,012. Of these deposits, \$250,000 was covered by federal depository insurance. The remainder, if any, is collateralized the Oregon Public Funds Collateralization Program (PFCP). The City's deposits and investments at June 30, 2018 are as follows:

Deposits with Financial Institutions:

Petty Cash	\$ 500
Demand Deposits	367,555
Investments	<u>7,999,501</u>
Total cash and Investments	<u>\$ 8,367,556</u>

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

3. CAPITAL ASSETS

Changes in Governmental Capital Assets for the year ended June 30, 2018 are as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Land*	\$ 1,116,919	\$ -	\$ -	\$ 1,116,919
Construction in Progress*	524,619	1,989,494	(253,865)	2,260,248
Infrastructure	101,421,297	747,128	-	102,168,425
Buildings and Improvements	3,998,756	402,054	-	4,400,810
Vehicles and Equipment	2,589,144	-	(172,693)	2,416,451
Total Capital Assets	<u>109,650,735</u>	<u>3,138,676</u>	<u>(426,558)</u>	<u>112,362,853</u>
Accumulated Depreciation:				
Infrastructure	98,218,811	272,929		98,491,740
Buildings and Improvements	2,338,302	110,959		2,449,261
Vehicles and Equipment	2,069,151	147,727	(171,361)	2,045,517
Total Accumulated Depreciation	<u>102,626,264</u>	<u>531,615</u>	<u>(171,361)</u>	<u>102,986,518</u>
Total Net Capital Assets	<u>\$ 7,024,471</u>			<u>\$ 9,376,335</u>

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

General Government	\$ 75,628
Public Safety	128,172
Highways and Streets	235,442
Culture and Recreation	91,549
Tourism	825
Total	<u>\$ 531,616</u>

Changes in Business-Type Capital Assets for the year ended June 30, 2018 are as follows:

	<u>Balances July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital Assets not being depreciated				
Land	\$ 3,281,776	-	\$ -	\$ 3,281,776
Construction in progress	2,691,978	432,337	(77,455)	3,046,860
Water Rights	629,901	5,513	-	635,414
Total capital assets not being depreciated	<u>6,603,655</u>	<u>437,850</u>	<u>(77,455)</u>	<u>6,964,050</u>
Capital assets being depreciated				
Infrastructure and plant	51,356,211	84,290	-	51,440,501
Buildings	330,213	-	-	330,213
Vehicles and equipment	1,106,945	31,473	(242,893)	895,525
Total capital assets being depreciated	<u>52,793,369</u>	<u>115,763</u>	<u>(242,893)</u>	<u>52,666,239</u>
Less accumulated depreciation for:				
Infrastructure and Plant	31,588,033	1,066,466	-	32,654,499
Buildings	113,945	11,737	-	125,682
Vehicles and equipment	1,036,749	24,566	(232,407)	828,908
Total	<u>32,738,727</u>	<u>1,102,769</u>	<u>(232,407)</u>	<u>33,609,089</u>
Total capital assets being depreciated, net	<u>20,054,642</u>	<u>(987,006)</u>	<u>(10,486)</u>	<u>19,057,150</u>
Total capital assets, net	<u>\$ 26,658,297</u>	<u>\$ (549,156)</u>	<u>\$ (87,941)</u>	<u>\$ 26,021,200</u>

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

4. RECEIVABLES

The City's receivables at June 30, 2018 are shown below:

Property Taxes	\$ 286,558
Accounts	1,028,963
Utility Accounts	<u>399,425</u>
	<u>\$ 1,714,946</u>

5. LONG-TERM OBLIGATIONS

A. Transactions for governmental activities for the year ended June 30, 2018 were as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year
General Obligation Bonds (original amount \$800,000, & 3-5% interest	390,000	-	40,000	350,000	45,000
ODOT Note Payable \$505k, 1.61%	505,000	-	-	505,000	-
Compensated Absences	<u>178,587</u>	<u>195,990</u>	<u>178,587</u>	<u>195,990</u>	<u>195,990</u>
Total	<u>\$ 1,073,587</u>	<u>\$ 195,990</u>	<u>\$ 225,770</u>	<u>\$ 1,050,990</u>	<u>\$ 240,990</u>

Transactions for business-type activities for the year ended June 30, 2018 were as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year
Water Revenue Series 2008 (original amount \$2,360,000, 3.75-5%)	1,525,000	-	115,000	1,410,000	115,000
2012 Refunding Bonds (original amount \$795,000, 1.85-3.6%)	465,000	-	65,000	400,000	70,000
USDA Revenue Bonds (\$4,601,000, 2.375%)	4,385,321	-	75,335	4,309,986	77,124
OECD (original amount \$779,697, 3-4.75%)	610,795	-	74,460	536,335	28,969
IFA Loan, October 2014 (original amount \$2,625,000, 2.67%)	<u>2,342,105</u>	<u>-</u>	<u>82,725</u>	<u>2,259,380</u>	<u>84,944</u>
Total	<u>\$ 9,328,221</u>	<u>\$ -</u>	<u>\$ 412,520</u>	<u>\$ 8,915,701</u>	<u>\$ 376,037</u>

Governmental:

Year	2005 Bonds		2017 ODOT Note	
	Principal	Interest	Principal	Interest
2018-2019	45,000	16,656	-	8,131
2019-2020	45,000	14,856	-	8,131
2020-2021	45,000	13,000	23,373	12,197
2021-2022	50,000	10,750	47,312	7,565
2022-2023	50,000	8,250	48,077	6,800
2023-2028	115,000	8,750	252,297	22,087
2028-2032	<u>350,000</u>	<u>72,262</u>	<u>133,941</u>	<u>3,031</u>
	<u>350,000</u>	<u>72,262</u>	<u>505,000</u>	<u>67,942</u>

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

5. LONG-TERM OBLIGATIONS (CONTINUED)

Business-Type

2012 Refunding Bonds			2009 OECCD Loan	
Year	Principal	Interest	Principal	Interest
2018-2019	70,000	11,841	24,138	24,961
2019-2020	75,000	9,593	24,324	23,975
2020-2021	70,000	7,345	29,497	22,802
2021-2022	40,000	5,640	29,722	21,327
2022-2023	40,000	4,400	29,957	19,841
2023-2028	105,000	5,670	168,547	74,947
2028-2032	-	-	201,181	30,815
2032-2036	-	-	-	-
	<u>\$ 400,000</u>	<u>\$ 44,489</u>	<u>\$ 507,366</u>	<u>\$ 218,668</u>

2008 Water Revenue Bonds			2013 USDA Revenue Bonds		2014 IFA Loan	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2018-2019	115,000	57,374	77,124	102,362	84,944	60,325
2019-2020	120,000	52,774	78,956	100,530	87,202	58,058
2020-2021	125,000	47,976	80,831	98,655	89,530	55,729
2021-2022	130,000	42,974	82,750	96,736	91,920	53,339
2022-2023	140,000	37,774	84,716	94,770	94,375	50,885
2023-2028	780,000	92,196	454,732	442,698	511,043	215,255
2028-2033	-	-	511,358	386,072	583,009	143,286
2033-2038	-	-	575,035	322,395	665,111	61,189
2038-2043	-	-	646,642	250,788	52,246	1,393
2043-2048	-	-	727,165	170,265	-	-
2048-2053	-	-	817,716	79,714	-	-
2053-2058	-	-	172,961	4,108	-	-
	<u>\$ 1,410,000</u>	<u>\$ 331,068</u>	<u>\$ 4,309,986</u>	<u>\$ 2,149,093</u>	<u>\$ 2,259,380</u>	<u>\$ 699,459</u>

The City entered into a loan agreement with Oregon DEQ, the total amount to be received is \$18,500,000, at an interest rate of 1.47%. At June 30, 2018 the City has drawn down \$3,087,663, all of which is classified as due in more than one year.

6. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- iv. **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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

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 funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$218,437, excluding amounts to fund employer specific liabilities. In addition approximately \$156,381 in employee contributions were paid or picked up by the City in fiscal 2018. At June 30, 2018, the City reported a net pension liability of \$2,424,799 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2017, the City's proportion was .02 percent. Pension expense for the year ended June 30, 2018 was \$374,818.

The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 13.42%
- (2) OPSRP general services – 9.69%

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflow of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 117,264	\$ -
Changes in assumptions	441,998	-
Net difference between projected and actual earnings on pension plan investments	24,981	-
Net changes in proportionate share	34,904	153,917
Differences between City contributions and proportionate share of contributions	-	87,447
Subtotal - Amortized Deferrals (below)	<u>619,147</u>	<u>241,364</u>
City contributions subsequent to measuring date	218,437	-
Deferred outflow (inflow) of resources	<u>\$ 837,584</u>	<u>\$ 241,364</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 60,082
2018	257,398
2019	158,202
2020	(92,880)
2021	(5,019)
Thereafter	-
Total	<u>\$ 377,783</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 16, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal 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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer 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),

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

(b) an actuarially determined amount for funding a disability benefit component, and (c) 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.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increase	3.5 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and setbacks as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts 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 method and assumptions shown are based on the 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

(Source: June 30, 2017 PERS CAFR; p. 92)

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both 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.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2017 PERS CAFR; p. 69)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 4,132,300	\$ 2,424,799	\$ 997,012

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.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

Deferred Compensation Plan

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member’s IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. 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 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.

Contributions:

Employees of the City pay six (6) percent of their covered payroll. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

7. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

7. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA) (CONTINUED)

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the City currently contributes 0.49% of annual covered OPERF payroll and 0.42% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City’s contribution to RHIA for the year ended June 30, 2018 was \$11,796 which equaled the required contributions each year.

At June 30, 2018, the City’s net OPEB liability/(asset) and deferred inflows and outflows were not considered significant by management and were not accrued on the government wide statements.

8. INTERFUND TRANSFERS

Cash transfers are indicative of funding for capital projects, debt service, subsidies of various city operations, and re-allocations of special revenues. Transfers are netted on the Statement of Activities as required by GASB 34. The following schedule briefly summarizes the City’s transfer activity for the year ended June 30, 2018:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,610,100	\$ 561,000
Street Construction	1,900,587	-
Other Governmental	30,000	2,290,187
Water	-	1,856,400
Wastewater	-	1,329,100
Water Construction	450,000	-
Wastewater Construction	100,000	-
Other Business Type	780,000	-
Internal Service	1,291,000	125,000
Total	<u>\$ 6,161,687</u>	<u>\$ 6,161,687</u>

Please note that the “Internal Balances” noted on the Statement of Net Position is not an interfund balance, but a representation over time that represents the amount of use the internal service fund allocates to the governmental and business type activities.

9. 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; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

10. FUND BALANCE CONSTRAINTS

The specific purposes for each of the categories of fund balance as of June 30, 2018 are as follows:

Fund Balances:	General Fund	Street Construction Fund	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepays	\$ -	\$ -	\$ -	\$ -
<u>Restricted:</u>				
Street Storm Drainage Maintenance	-	-	168,955	168,955
System Development Charges	-	-	306,624	306,624
Debt Payments	-	-	15,200	15,200
	-	-	490,779	490,779
<u>Committed to:</u>				
Street Construction	-	800,956	-	800,956
Tourism	-	-	161,837	161,837
Parks Capital Projects	-	-	31,192	31,192
	-	800,956	193,029	993,985
<u>Assigned to:</u>				
General City	863,448	-	-	863,448
Library	-	-	327	327
Dial A Ride	-	-	19,409	19,409
Library Capital Projects	-	-	-	-
	863,448	-	19,736	883,184
Unassigned:	2,034,740	-	-	2,034,740
Total Fund Balances	\$ 2,898,188	\$ 800,956	\$ 703,544	\$ 4,402,688

11. COMMITMENTS AND CONTINGENCIES

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel, the resolution of these matters will not have a material adverse cash effect of the financial condition of the government.

12. TAX ABATEMENTS

As of June 30, 2018, the City provides tax abatements through one significant program: Enterprise Zone, ORS 285C.175.

The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

For the fiscal year ended June 30, 2018, the City abated property taxes totaling \$160,608 under this program.

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Post-employment Health Insurance Subsidy

Plan Description

The City administers a single-employer defined benefit healthcare plan that covers both active and retired participants. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the City's group health insurance plans. The City's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective. The valuation date was July 1, 2016 and the measurement date was June 30, 2017.

Funding Policy

The City has not established a trust fund to finance the cost of post-employment health care benefits related to implicit rate subsidies. Premiums are paid by retirees based on the rates established for active employees. Additional costs related to an implicit subsidy are paid by the City on a pay-as-you-go basis. There is no obligation on the part of the City to fund these benefits in advance.

Actuarial Methods and Assumptions

The City engaged an actuary to perform a valuation as of June 30, 2017 using the Entry Age Normal, level percent of salary Actuarial Cost Method. Mortality rates were based on the RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females. Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2015. Election rate and lapse assumptions are based on experience implied by valuation data for this and other Oregon public employers.

Changes in the Net OPEB Liability

	<u>Increase/ (Decrease)</u>
Total OPEB Liability at June 30, 2017	139,232
Changes for the year:	
Service cost	17,235
Interest	4,377
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other input	(9,403)
Benefit payments	(5,838)
Balance as of June 30, 2018	145,603

CITY OF SUTHERLIN
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Trend Rates

The following analysis presents the net OPEB liability using a discount rate of 3.58%, as well as what the City's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	\$ 158,501	\$ 145,603	\$ 133,740

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Benefits:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in assumptions	-	8,381
City contributions subsequent to measuring date	7,661	-
Deferred outflow (inflow) of resources	\$ 7,661	\$ 8,381

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	Amount
2018	\$ (1,022)
2019	(1,022)
2020	(1,022)
2021	(1,022)
2022	(1,022)
Thereafter	(3,271)
Total	\$ (8,381)

The beginning Net position for governmental funds was restated due to the City's implementation of GASB 75 for the implicit rate subsidy. Net position was decreased by \$139,232.

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.02 %	\$ 2,424,799	\$ 2,649,160	92%	83.1 %
2017	0.02	2,930,363	2,477,286	118	80.5
2016	0.02	1,190,449	2,268,510	52.48	91.9
2015	0.02	(385,502)	2,224,914	(17.0)	103.6
2014	0.02	867,896	2,156,450	39.0	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 218,437	\$ 218,437	\$ -	\$ 2,715,431	8.0 %
2017	168,464	168,464	-	2,649,160	6.4
2016	154,896	154,896	-	2,477,286	6.3
2015	153,399	153,399	-	2,268,510	6.9
2014	159,387	159,387	-	2,224,914	7.4

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

**SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2018**

Total Other Post Employment Benefits Liability at June 30, 2017	\$	139,232
<u>Changes for the year:</u>		
Service Cost		17,235
Interest		4,377
Changes in Benefit Terms		-
Differences between expected and actual experience		-
Changes in assumptions or other input		(9,403)
Employer Contributions		-
Benefit Payments		(5,838)
		<hr/>
Net changes for the year		6,371
		<hr/>
Total Other Post Employment Benefits Liability at June 30, 2018	\$	145,603
		<hr/> <hr/>
Fiduciary Net Position - Beginning	\$	-
Contributions - Employer		5,838
Contributions - Employee		-
Net Investment Income		-
Benefit Payments		(5,838)
Administrative Expense		-
		<hr/>
Net changes for the year		-
		<hr/>
Fiduciary Net Position - Ending	\$	-
		<hr/>
Net Liability for Other Post Employment Benefits - End of Year	\$	145,603
		<hr/> <hr/>
Fiduciary Net Position as a percentage of the total Single Employer Pension Liability		0%
Covered Payroll	\$	2,732,858
Net Single Employer Pension Plan as a Percentage of Covered Payroll		5%

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Property Taxes	\$ 2,802,000	\$ 2,802,000		\$ 2,808,881	\$ 6,881
Franchise Fees	450,000	450,000		452,104	2,104
Licences, Permits and Fees	-	-		2,275	2,275
Fines and Forfeitures	-	-		109,019	109,019
Charges for Services	21,500	21,500		22,885	1,385
Intergovernmental	450,085	450,085		489,260	39,175
Interest	-	-		31,170	31,170
Miscellaneous	129,000	129,000		45,910	(83,090)
Total Revenues	<u>3,852,585</u>	<u>3,852,585</u>		<u>3,961,504</u>	<u>108,919</u>
EXPENDITURES					
City Manager's Office	139,892	139,892	(1)	134,582	5,310
City Attorney	68,500	68,500	(1)	36,378	32,122
Mayor & Council	4,000	4,000	(1)	3,423	577
Non-Departmental	284,000	294,000	(1)	284,942	9,058
City Recorder/HR	204,306	222,806	(1)	218,950	3,856
Municipal Court	161,852	161,852	(1)	153,880	7,972
Finance	359,730	394,230	(1)	388,138	6,092
Planning	366,442	366,442	(1)	332,038	34,404
Police	2,115,593	2,115,593	(1)	1,802,360	313,233
Parks/Facilities	177,370	177,370	(1)	148,545	28,825
Fire	872,843	872,843	(1)	617,444	255,399
Contingency	200,000	137,000	(1)	-	137,000
Total Expenditures	<u>4,954,528</u>	<u>4,954,528</u>		<u>4,120,680</u>	<u>833,848</u>
Excess of Revenues Over, (Under) Expenditures	(1,101,943)	(1,101,943)		(159,176)	942,767
OTHER FINANCING SOURCES, (USES)					
Transfers Out	(561,000)	(561,000)	(1)	(561,000)	-
Transfers In	1,040,100	1,040,100		1,040,100	-
Net Change in Fund Balance	(622,843)	(622,843)		319,924	942,767
Beginning Fund Balance	<u>1,550,000</u>	<u>1,550,000</u>		<u>1,714,816</u>	<u>164,816</u>
Ending Fund Balance	<u>\$ 927,157</u>	<u>\$ 927,157</u>		<u>\$ 2,034,740</u>	<u>\$ 1,107,583</u>
Reconciliation to GAAP Fund Balance:					
Ending Fund Balances					
Bicycle / Footpath Fund				15,453	
Police Reserve				77,154	
Public Works Operations Reserve				178,064	
Public Works Operations Reserve - Interfund Loan				-	
Fire Reserve Fund				451,544	
Parks Facilities Reserve Fund				141,233	
				<u>\$ 2,898,188</u>	

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

STREET CONSTRUCTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental	\$ 400,000	\$ 770,000	\$ 570,000	\$ (200,000)
Interest	800	800	28,962	28,162
Total Revenues	<u>400,800</u>	<u>770,800</u>	<u>598,962</u>	<u>(171,838)</u>
EXPENDITURES				
Capital Outlay	3,750,000	4,120,000 (1)	3,385,039	734,961
Contingency	24,800	24,800 (1)	-	24,800
Total Expenditures	<u>3,774,800</u>	<u>4,144,800</u>	<u>3,385,039</u>	<u>759,761</u>
Excess of Revenues Over, (Under) Expenditures	(3,374,000)	(3,374,000)	(2,786,077)	587,923
OTHER FINANCING SOURCES, (USES)				
Loan Proceeds	505,000	505,000	-	(505,000)
Transfers Out		-	-	-
Transfers In	1,871,000	1,871,000	1,900,587	29,587
Total Other Financing Sources, (Uses)	2,376,000	2,376,000	1,900,587	29,587
Net Change in Fund Balance	(998,000)	(998,000)	(885,490)	112,510
Beginning Fund Balance	<u>998,000</u>	<u>998,000</u>	<u>1,686,446</u>	<u>688,446</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,956</u>	<u>\$ 800,956</u>

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SUPPLEMENTARY INFORMATION

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

<u>WATER OPERATIONS FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 2,016,500	\$ 2,015,500	\$ 2,069,591	\$ 54,091
System Development Charges	-	1,500	10,127	8,627
Interest	1,200	1,200	6,051	4,851
Miscellaneous	25,141	25,141	25,641	500
Total Revenues	<u>2,042,841</u>	<u>2,043,341</u>	<u>2,111,410</u>	<u>68,069</u>
EXPENDITURES				
Materials and Services	439,250	439,250 (1)	357,566	81,684
Capital Outlay	1,000	1,000 (1)	-	1,000
Contingency	53,191	53,191 (1)	-	53,191
Total Expenditures	<u>493,441</u>	<u>493,441</u>	<u>357,566</u>	<u>53,191</u>
Excess of Revenues Over, (Under) Expenditures	<u>1,549,400</u>	<u>1,549,900</u>	<u>1,753,844</u>	<u>203,944</u>
OTHER FINANCING SOURCES, (USES)				
Interfund Loan	-	-	-	-
Transfers Out	(1,856,400)	(1,856,400) (1)	(1,856,400)	-
Total Other Financing Sources, (Uses)	<u>(1,856,400)</u>	<u>(1,856,400)</u>	<u>(1,856,400)</u>	<u>-</u>
Net Change in Fund Balance	(307,000)	(306,500)	(102,556)	203,944
Beginning Fund Balance	<u>307,000</u>	<u>307,000</u>	<u>347,164</u>	<u>40,164</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ 500</u>	<u>244,608</u>	<u>\$ 244,108</u>
Reconciling Items:				
Capital Assets, Net			13,015,295	
Deferred Revenue			18,680	
Accrued Interest			(48,359)	
Interfund Loan			-	
Long-Term Obligations			<u>(6,256,321)</u>	
Net Position			<u>\$ 6,973,903</u>	

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

WASTEWATER OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Charges for Services	\$ 2,007,000	\$ 2,007,000	\$ 2,112,898	\$ 105,898
Interest	1,500	1,500	6,771	5,271
Miscellaneous	-	-	14,218	14,218
	<u>2,008,500</u>	<u>2,008,500</u>	<u>2,133,887</u>	<u>125,387</u>
EXPENDITURES				
Materials and Services	647,850	647,850 (1)	561,745	86,105
Capital Outlay	1,000	1,000 (1)	-	1,000
Contingency	239,550	239,550 (1)	-	239,550
	<u>888,400</u>	<u>888,400</u>	<u>561,745</u>	<u>326,655</u>
Excess of Revenues over Expenditures	1,120,100	1,120,100	1,572,142	(201,268)
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(1,329,100)	(1,329,100) (1)	(1,329,100)	-
Net Change in Fund Balance	(209,000)	(209,000)	243,042	125,387
Beginning Fund Balance	209,000	209,000	309,258	100,258
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 552,300</u>	<u>\$ 552,300</u>

Reconciling Items:

Capital Assets, Net	13,005,905
Deferred Revenue	22,800
Long-Term Obligations	(5,747,043)
Net Position	<u>\$ 7,833,962</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

WATER CONSTRUCTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
System Development Charges	\$ 30,000	\$ 30,000	\$ 88,143	\$ 58,143
Interest	1,500	1,500	7,755	6,255
Total Revenues	<u>31,500</u>	<u>31,500</u>	<u>95,898</u>	<u>64,398</u>
EXPENDITURES				
Capital Outlay	953,000	953,000 (1)	10,547	942,453
Contingency	384,500	384,500 (1)	-	384,500
Total Expenditures	<u>1,337,500</u>	<u>1,337,500</u>	<u>10,547</u>	<u>1,326,953</u>
Excess of Revenues Over, (Under) Expenditures	(1,306,000)	(1,306,000)	85,351	1,391,351
OTHER FINANCING SOURCES, (USES)				
Debt Proceeds	650,000	650,000	-	(650,000)
Transfers In	450,000	450,000	450,000	-
Net Change in Fund Balance	(206,000)	(206,000)	535,351	741,351
Beginning Fund Balance	<u>206,000</u>	<u>206,000</u>	<u>207,914</u>	<u>1,914</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 743,265</u>	<u>\$ 743,265</u>

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

WASTEWATER CONSTRUCTION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
System Development Charges	\$ 2,000	\$ 2,000	\$ 7,301	\$ 5,301
Interest	<u>2,000</u>	<u>2,000</u>	<u>4,910</u>	<u>2,910</u>
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>12,211</u>	<u>8,211</u>
EXPENDITURES				
Capital Outlay	4,005,000	4,005,000 (1)	792,352	3,212,648
Contingency	<u>662,000</u>	<u>662,000 (1)</u>	<u>-</u>	<u>662,000</u>
Total Expenditures	<u>4,667,000</u>	<u>4,667,000</u>	<u>792,352</u>	<u>3,874,648</u>
Excess of Revenues Over, (Under) Expenditures	(4,663,000)	(4,663,000)	(780,141)	3,882,859
OTHER FINANCING SOURCES, (USES)				
Loan Proceeds	4,005,000	4,005,000	609,181	(3,395,819)
Transfers In	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	(558,000)	(558,000)	(70,960)	487,040
Beginning Fund Balance	<u>558,000</u>	<u>558,000</u>	<u>207,227</u>	<u>(350,773)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,267</u>	<u>\$ 136,267</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	STREET STORM DRAINAGE FUND	STREET SDC FUND	TOURISM MOTEL TAX	LIBRARY BOARD FUND	DIAL A RIDE FUND
ASSETS					
Cash and Equivalents	\$ 127,399	\$ 306,624	\$ 221,393	\$ 327	\$ (1,049)
Prepays	-	-	-	-	-
Accounts Receivable	49,687	-	22,916	-	27,173
Total Assets	<u>\$ 177,086</u>	<u>\$ 306,624</u>	<u>\$ 244,309</u>	<u>\$ 327</u>	<u>\$ 26,124</u>
LIABILITIES					
Accounts Payable	\$ 8,131	\$ -	\$ 43,254	\$ -	\$ 6,715
Interfund Loan	-	-	39,218	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>8,131</u>	<u>-</u>	<u>82,472</u>	<u>-</u>	<u>6,715</u>
FUND BALANCES					
Restricted	168,955	306,624	-	-	-
Committed	-	-	161,837	-	-
Assigned	-	-	-	327	19,409
Total Fund Balances	<u>168,955</u>	<u>306,624</u>	<u>161,837</u>	<u>327</u>	<u>19,409</u>
Total Liabilities and Fund Balances	<u>\$ 177,086</u>	<u>\$ 306,624</u>	<u>\$ 244,309</u>	<u>\$ 327</u>	<u>\$ 26,124</u>

STREET MAINTENANCE FUND	CENTRAL AVENUE FUND	CAPITAL PROJECTS FUNDS		TOTAL
		DEBT SERVICE LIBRARY GO BOND FUND	PARKS CONSTRUCTION FUND	
\$ -	\$ -	\$ 15,200	\$ 31,192	\$ 701,086
-	-	-	-	-
-	-	5,836	-	105,612
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,036</u>	<u>\$ 31,192</u>	<u>\$ 806,698</u>
\$ -	\$ -	\$ -	\$ -	\$ 58,100
-	-	-	-	39,218
-	-	5,836	-	5,836
-	-	5,836	-	103,154
-	-	15,200	-	490,779
-	-	-	31,192	193,029
-	-	-	-	19,736
-	-	15,200	31,192	703,544
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,036</u>	<u>\$ 31,192</u>	<u>\$ 806,698</u>

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

	STREET STORM DRAINAGE FUND	STREET SDC FUND	TOURISM MOTEL TAX	LIBRARY BOARD FUND	DIAL A RIDE FUND
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
System Development Charges	-	85,492	-	-	-
Assessments	-	-	182,510	-	-
Grants and Contributions	-	-	-	133	112,225
Intergovernmental	513,701	-	-	-	-
Interest	3,970	4,716	3,510	4	114
Miscellaneous	135,917	-	-	-	-
Total Revenues	\$ 653,588	\$ 90,208	\$ 186,020	\$ 137	\$ 112,339
EXPENDITURES					
Current					
Materials and Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	112,229
Tourism	-	-	109,795	-	-
Highways and Streets	123,616	-	-	-	-
Capital Outlay	40,819	-	-	-	-
Debt Service	-	-	528	-	-
Total Expenditures	164,435	-	110,323	-	112,229
Excess of Revenues Over, (Under) Expenditures	489,153	90,208	75,697	137	110
OTHER FINANCING SOURCES, (USES)					
Transfers In	-	-	-	-	-
Transfers Out	(626,900)	(115,000)	(44,500)	-	(18,200)
Total Other Financing Sources, (Uses)	(626,900)	(115,000)	(44,500)	-	(18,200)
NET CHANGE IN FUND BALANCES	(137,747)	(24,792)	31,197	137	(18,090)
BEGINNING FUND BALANCES	306,702	331,416	130,640	190	37,499
ENDING FUND BALANCES	\$ 168,955	\$ 306,624	\$ 161,837	\$ 327	\$ 19,409

STREET MAINTENANCE FUND	CENTRAL AVENUE FUND	DEBT	CAPITAL	TOTAL
		SERVICE	PROJECTS	
		LIBRARY	FUNDS	
		GO BOND	PARKS	
		FUND	CONSTRUCTION	
		FUND	FUND	
\$ -	\$ -	\$ 51,000	\$ -	\$ 51,000
-	-	-	25,000	110,492
-	-	-	-	182,510
-	-	-	49,600	161,958
-	-	-	-	513,701
2,513	12,207	266	316	27,616
-	-	-	-	135,917
<u>\$ 2,513</u>	<u>\$ 12,207</u>	<u>\$ 51,266</u>	<u>\$ 74,916</u>	<u>\$ 1,183,194</u>
-	-	-	-	-
-	-	-	-	112,229
-	-	-	-	109,795
-	-	-	-	123,616
-	-	-	134,713	175,532
-	-	58,256	-	58,784
<u>-</u>	<u>-</u>	<u>58,256</u>	<u>134,713</u>	<u>579,956</u>
2,513	12,207	(6,990)	(59,797)	603,238
-	-	-	30,000	30,000
<u>(255,076)</u>	<u>(1,230,511)</u>	<u>-</u>	<u>-</u>	<u>(2,290,187)</u>
<u>(255,076)</u>	<u>(1,230,511)</u>	<u>-</u>	<u>30,000</u>	<u>(2,260,187)</u>
(252,563)	(1,218,304)	(6,990)	(29,797)	(1,656,949)
<u>252,563</u>	<u>1,218,304</u>	<u>22,190</u>	<u>60,989</u>	<u>2,360,493</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,200</u>	<u>\$ 31,192</u>	<u>\$ 703,544</u>

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

<u>STREET / STORM DRAINAGE</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 513,701	\$ 13,701
Miscellaneous	135,500	135,500	135,917	417
Interest	300	300	3,970	3,670
Total Revenues	<u>635,800</u>	<u>635,800</u>	<u>653,588</u>	<u>17,788</u>
EXPENDITURES				
Materials and Services	156,000	156,000 (1)	123,616	32,384
Capital Outlay	50,000	50,000 (1)	40,819	9,181
Contingency	15,900	15,900 (1)	-	15,900
Total Expenditures	<u>221,900</u>	<u>221,900</u>	<u>164,435</u>	<u>57,465</u>
Excess of Revenues Over, (Under) Expenditures	413,900	413,900	489,153	75,253
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(626,900)	(626,900) (1)	(626,900)	-
Net Change in Fund Balance	(213,000)	(213,000)	(137,747)	75,253
Beginning Fund Balance	<u>213,000</u>	<u>213,000</u>	<u>306,702</u>	<u>93,702</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,955</u>	<u>\$ 168,955</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

STREET SDC SPECIAL REVENUE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
System Development Charges	\$ 30,000	\$ 30,000	\$ 85,492	\$ 55,492
Interest	<u>3,000</u>	<u>3,000</u>	<u>4,716</u>	<u>1,716</u>
Total Revenues	<u>33,000</u>	<u>33,000</u>	<u>90,208</u>	<u>57,208</u>
EXPENDITURES				
Contingency	<u>236,000</u>	<u>236,000</u> (1)	<u>-</u>	<u>236,000</u>
Total Expenditures	<u>236,000</u>	<u>236,000</u>	<u>-</u>	<u>236,000</u>
Excess of Revenues Over, (Under) Expenditures	(203,000)	(203,000)	90,208	293,208
OTHER FINANCING SOURCES, (USES)				
Transfers Out	<u>(150,000)</u>	<u>(150,000)</u> (1)	<u>(115,000)</u>	<u>35,000</u>
Net Change in Fund Balance	(353,000)	(353,000)	(24,792)	328,208
Beginning Fund Balance	<u>353,000</u>	<u>353,000</u>	<u>331,416</u>	<u>(21,584)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,624</u>	<u>\$ 306,624</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

TOURISM - MOTEL TAX FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Assessments	\$ 175,000	\$ 175,000	\$ 182,510	\$ 7,510
Interest	1,000	1,000	3,510	2,510
Total Revenues	<u>176,000</u>	<u>176,000</u>	<u>186,020</u>	<u>10,020</u>
EXPENDITURES				
Materials and Services	110,025	110,025 (1)	109,795	230
Capital Outlay	-	- (1)	-	-
Debt Service	33,830	33,830 (1)	33,808	22
Contingency	164,645	164,645 (1)	-	164,645
Total Expenditures	<u>308,500</u>	<u>308,500</u>	<u>143,603</u>	<u>164,897</u>
Excess of Revenues Over, (Under) Expenditures	(132,500)	(132,500)	42,417	174,917
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(44,500)	(44,500) (1)	(44,500)	-
Interfund Loan Proceeds	-	-	-	-
Net Change in Fund Balance	(177,000)	(177,000)	(2,083)	174,917
Beginning Fund Balance	<u>177,000</u>	<u>177,000</u>	<u>203,138</u>	<u>26,138</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,055</u>	<u>\$ 201,055</u>
		Reconciliation to GAAP:		
		Interfund Loan	<u>\$ (39,218)</u>	
		GAAP Net Position	<u>\$ 161,837</u>	

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

<u>LIBRARY BOARD FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Grants and Contributions	\$ -	\$ -	\$ 133	\$ 133
Interest	\$ -	\$ -	\$ 4	\$ 4
Total Revenues	-	-	137	137
Net Change in Fund Balance	-	-	137	137
Beginning Fund Balance	-	-	190	190
Ending Fund Balance	\$ -	\$ -	\$ 327	\$ 327

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

<u>DIAL-A-RIDE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Grants and Contributions	\$ 119,593	\$ 119,593	\$ 112,225	\$ (7,368)
Miscellaneous	6,000	6,000	-	(6,000)
Interest	100	100	114	14
Total Revenues	<u>125,693</u>	<u>125,693</u>	<u>112,339</u>	<u>(13,354)</u>
EXPENDITURES				
Materials and Services	113,750	121,250 (1)	112,229	9,021
Capital Outlay	-	- (1)	-	-
Contingency	8,743	1,243 (1)	-	1,243
Total Expenditures	<u>122,493</u>	<u>122,493</u>	<u>112,229</u>	<u>10,264</u>
Excess of Revenues Over, (Under) Expenditures	3,200	3,200	110	(3,090)
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(18,200)	(18,200) (1)	(18,200)	-
Net Change in Fund Balance	(15,000)	(15,000)	(18,090)	(3,090)
Beginning Fund Balance	<u>15,000</u>	<u>15,000</u>	<u>37,499</u>	<u>22,499</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,409</u>	<u>\$ 19,409</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

STREET MAINTENANCE RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Interest	\$ -	\$ 1,100	\$ 2,513	\$ 1,413
Total Revenues	-	1,100	2,513	1,413
EXPENDITURES				
Contingency	-	- (1)	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over, (Under) Expenditures	-	1,100	2,513	1,413
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(254,000)	(255,100) (1)	(255,076)	24
Transfers In	-	-	-	-
Net Change in Fund Balance	(254,000)	(254,000)	(252,563)	1,437
Beginning Fund Balance	254,000	254,000	252,563	(1,437)
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

CENTRAL AVENUE RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Interest	-	63,550	12,207	(51,343)
Total Revenues	-	63,550	12,207	(51,343)
EXPENDITURES				
Contingency	-	- (1)	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over, (Under) Expenditures	-	63,550	12,207	(51,343)
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(1,167,000)	(1,230,550) (1)	(1,230,511)	39
Net Change in Fund Balance	(1,167,000)	(1,167,000)	(1,218,304)	(51,304)
Beginning Fund Balance	1,167,000	1,167,000	1,218,304	51,304
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

<u>LIBRARY GO BOND FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Property Taxes	\$ 56,000	\$ 56,000	\$ 51,000	\$ (5,000)
Interest	200	200	266	66
Total Revenues	<u>56,200</u>	<u>56,200</u>	<u>51,266</u>	<u>(4,934)</u>
EXPENDITURES				
Debt Service	<u>58,260</u>	<u>58,260</u> (1)	<u>58,256</u>	<u>4</u>
Total Expenditures	<u>58,260</u>	<u>58,260</u>	<u>58,256</u>	<u>4</u>
Net Change in Fund Balance	(2,060)	(2,060)	(6,990)	(4,930)
Beginning Fund Balance	<u>22,000</u>	<u>22,000</u>	<u>22,190</u>	<u>190</u>
Ending Fund Balance	<u>\$ 19,940</u>	<u>\$ 19,940</u>	<u>\$ 15,200</u>	<u>\$ (4,740)</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

<u>PARKS CONSTRUCTION FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
System Development Charges	\$ 7,500	\$ 7,500	\$ 25,000	\$ 17,500
Grants and Contributions	-	-	49,600	49,600
Interest	250	250	316	66
Total Revenues	<u>7,750</u>	<u>7,750</u>	<u>74,916</u>	<u>67,166</u>
EXPENDITURES				
Capital Outlay	135,000	135,000 (1)	134,713	287
Contingency	<u>33,750</u>	<u>33,750 (1)</u>	<u>-</u>	<u>33,750</u>
Total Expenditures	<u>168,750</u>	<u>168,750</u>	<u>134,713</u>	<u>34,037</u>
Excess of Revenues Over, (Under) Expenditures	(161,000)	(161,000)	(59,797)	101,203
OTHER FINANCING SOURCES, (USES)				
Transfers In	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	(131,000)	(131,000)	(29,797)	101,203
Beginning Fund Balance	<u>131,000</u>	<u>131,000</u>	<u>60,989</u>	<u>(70,011)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,192</u>	<u>\$ 31,192</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

<u>BICYCLE FOOTPATH FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 5,200	\$ 200
Interest	30	30	176	146
Total Revenues	<u>5,030</u>	<u>5,030</u>	<u>5,376</u>	<u>346</u>
EXPENDITURES				
Contingency	<u>15,030</u>	<u>15,030 (1)</u>	<u>-</u>	<u>15,030</u>
Total Expenditures	<u>15,030</u>	<u>15,030</u>	<u>-</u>	<u>15,030</u>
Excess of Revenues Over, (Under) Expenditures	(10,000)	(10,000)	5,376	15,376
Beginning Fund Balance	<u>10,000</u>	<u>10,000</u>	<u>10,077</u>	<u>77</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,453</u>	<u>\$ 15,453</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

<u>POLICE RESERVE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 1,456	\$ 456
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,456</u>	<u>456</u>
EXPENDITURES				
Capital Outlay	186,000	186,000 (1)	177,784	8,216
Contingency	<u>50,000</u>	<u>50,000 (1)</u>	<u>-</u>	<u>50,000</u>
Total Expenditures	<u>236,000</u>	<u>236,000</u>	<u>177,784</u>	<u>58,216</u>
Excess of Revenues Over, (Under) Expenditures	(235,000)	(235,000)	(176,328)	58,672
OTHER FINANCING SOURCES, (USES)				
Surplus Property Sales	-	-	17,460	17,460
Transfers In	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	(135,000)	(135,000)	(58,868)	76,132
Beginning Fund Balance	<u>135,000</u>	<u>135,000</u>	<u>136,022</u>	<u>1,022</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,154</u>	<u>\$ 77,154</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

<u>FIRE RESERVE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental Interest	\$ - 800	\$ - 800	\$ - 5,534	\$ - 4,734
Total Revenues	<u>800</u>	<u>800</u>	<u>5,534</u>	<u>4,734</u>
EXPENDITURES				
Capital Outlay	160,500	160,500 (1)	85,238	75,262
Contingency	364,300	364,300 (1)	-	364,300
Total Expenditures	<u>524,800</u>	<u>524,800</u>	<u>85,238</u>	<u>439,562</u>
Excess of Revenues Over, (Under) Expenditures	(524,000)	(524,000)	(79,704)	444,296
OTHER FINANCING SOURCES, (USES)				
Surplus Property Sales		-	8,415	8,415
Transfers In	265,000	265,000	265,000	-
Net Change in Fund Balance	(259,000)	(259,000)	193,711	452,711
Beginning Fund Balance	<u>259,000</u>	<u>259,000</u>	<u>257,833</u>	<u>(1,167)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,544</u>	<u>\$ 451,544</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

PUBLIC WORKS OPERATIONS RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Interest	\$ 100	\$ 100	\$ 2,010	\$ 1,910
Total Revenues	<u>100</u>	<u>100</u>	<u>2,010</u>	<u>1,910</u>
EXPENDITURES				
Debt Service	25,260	25,260 (1)	25,193	67
Capital Outlay	95,000	95,000 (1)	-	95,000
Contingency	<u>77,840</u>	<u>77,840 (1)</u>	<u>-</u>	<u>77,840</u>
Total Expenditures	<u>198,100</u>	<u>198,100</u>	<u>25,193</u>	<u>172,907</u>
Excess of Revenues Over, (Under) Expenditures	(198,000)	(198,000)	(23,183)	174,817
OTHER FINANCING SOURCES, (USES)				
Transfers In	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net Change in Fund Balance	(73,000)	(73,000)	101,817	174,817
Beginning Fund Balance	<u>73,000</u>	<u>73,000</u>	<u>76,247</u>	<u>3,247</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,064</u>	<u>\$ 178,064</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

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

PARKS/FACILITIES RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 3,249	\$ 2,249
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>3,249</u>	<u>2,249</u>
EXPENDITURES				
Capital Outlay	208,000	208,000 (1)	120,949	87,051
Contingency	<u>25,000</u>	<u>25,000 (1)</u>	<u>-</u>	<u>25,000</u>
Total Expenditures	<u>233,000</u>	<u>233,000</u>	<u>120,949</u>	<u>112,051</u>
Excess of Revenues Over, (Under) Expenditures	(232,000)	(232,000)	(117,700)	114,300
OTHER FINANCING SOURCES, (USES)				
Transfers In	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net Change in Fund Balance	(152,000)	(152,000)	(37,700)	114,300
Beginning Fund Balance	<u>152,000</u>	<u>152,000</u>	<u>178,933</u>	<u>26,933</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,233</u>	<u>\$ 141,233</u>

(1) Appropriation Level

**CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON**

**COMBINING STATEMENT OF NET POSITION -
NONMAJOR ENTERPRISE FUNDS
June 30, 2018**

	WATER RESERVE FUND	WASTEWATER RESERVE FUND	KNOLLS ESTATE STEP SURCHARGE FUND
ASSETS			
Cash and Cash Equivalents	\$ 315,941	\$ 85,048	\$ 29,776
Accounts Receivable	-	-	-
Interfund Loan Receivable	39,218	-	-
Prepays	-	-	-
Total Assets	<u>\$ 355,159</u>	<u>\$ 85,048</u>	<u>\$ 29,776</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for Bond Covenant	\$ -	\$ -	\$ -
Restricted for Debt Service	-	-	-
Restricted for Capital Projects	-	-	-
Unrestricted	<u>355,159</u>	<u>85,048</u>	<u>29,776</u>
Total Net Position	<u>355,159</u>	<u>85,048</u>	<u>29,776</u>
Total Liabilities and Net Position	<u>\$ 355,159</u>	<u>\$ 85,048</u>	<u>\$ 29,776</u>

WATER DEBT SERVICE FUND	WASTEWATER DEBT SERVICE FUND	TOTAL
\$ 218,050	\$ 452,672	\$ 1,101,487
-	240,370	240,370
-	-	39,218
28,688	-	28,688
<u>\$ 246,738</u>	<u>\$ 693,042</u>	<u>\$ 1,409,763</u>
-	-	-
-	-	-
\$ 201,638	\$ -	\$ 201,638
45,100	-	45,100
-	693,042	693,042
-	-	469,983
<u>246,738</u>	<u>693,042</u>	<u>1,409,763</u>
<u>\$ 246,738</u>	<u>\$ 693,042</u>	<u>\$ 1,409,763</u>

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018**

	<u>WATER RESERVE FUND</u>	<u>WASTEWATER RESERVE FUND</u>	<u>KNOLLS ESTATE STEP SURCHARGE FUND</u>
OPERATING REVENUES			
Charges for Services	\$ -	\$ -	\$ 16,373
OPERATING EXPENSES			
Materials and Services	<u>15,737</u>	<u>15,736</u>	<u>14,893</u>
Operating income (loss)	(15,737)	(15,736)	1,480
NONOPERATING REVENUES (EXPENSES)			
Interest	5,560	1,365	435
Interest Expense	-	-	-
Transfers In	-	15,000	-
Miscellaneous	2	-	-
Total Nonoperating Revenues (Expenses)	<u>5,562</u>	<u>16,365</u>	<u>435</u>
Change in Net Position	(10,175)	629	1,915
Beginning Net Position	<u>365,334</u>	<u>84,419</u>	<u>27,861</u>
Ending Net Position	<u>\$ 355,159</u>	<u>\$ 85,048</u>	<u>\$ 29,776</u>

WATER DEBT SERVICE FUND	WASTEWATER DEBT SERVICE FUND	TOTAL
\$ -	\$ 8,056	\$ 24,429
<u>-</u>	<u>-</u>	<u>46,366</u>
-	8,056	(21,937)
2,225	5,255	14,840
(409,488)	(223,786)	(633,274)
425,000	340,000	780,000
-	-	2
<u>17,737</u>	<u>121,469</u>	<u>161,568</u>
17,737	129,525	139,631
<u>229,001</u>	<u>563,517</u>	<u>1,270,132</u>
<u>\$ 246,738</u>	<u>\$ 693,042</u>	<u>\$ 1,409,763</u>

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018

	WATER RESERVE FUND	WASTEWATER RESERVE FUND	KNOLLS ESTATE STEP SURCHARGE FUND
Cash Flows from Operating Activities:			
Cash from Customers	\$ -	\$ -	\$ 16,373
Cash paid to Suppliers	(15,737)	(15,736)	(15,903)
Cash flow from Operations	(15,737)	(15,736)	470
Cash Flows from Investing Activities:			
Earnings on Investments and Other	5,560	1,365	435
Cash Flows from Noncapital Financing Activities:			
Miscellaneous	-		-
Interfund Loans	33,282		
Transfers	-	15,000	-
Cash flow from Noncapital Financing	33,282	15,000	-
Cash Flows from Capital and Related Financing Activities:			
Payments on long term debt	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	23,105	629	905
Cash and Cash Equivalents, Beginning	292,836	84,419	28,871
Cash and Cash Equivalents, Ending	315,941	85,048	29,776
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income, (Loss)	(15,737)	(15,736)	1,480
Noncash Items Included in Income: (Increase), Decrease in Assets	-	-	(1,010)
Net Cash Provided (Used) by Operating Activities	\$ (15,737)	\$ (15,736)	\$ 470

WATER DEBT SERVICE FUND	WASTEWATER DEBT SERVICE FUND	TOTAL
\$ -	\$ 47,116	\$ 63,489
-	-	(47,376)
-	47,116	16,113
<u>4,525</u>	<u>5,255</u>	<u>17,140</u>
-	-	-
-	-	33,282
<u>425,000</u>	<u>340,000</u>	<u>780,000</u>
<u>425,000</u>	<u>340,000</u>	<u>813,282</u>
<u>(409,488)</u>	<u>(223,786)</u>	<u>(633,274)</u>
<u>20,037</u>	<u>168,585</u>	<u>213,261</u>
<u>198,013</u>	<u>284,087</u>	<u>888,226</u>
<u>218,050</u>	<u>452,672</u>	<u>1,101,487</u>
-	8,056	(21,937)
-	<u>39,060</u>	<u>38,050</u>
<u>\$ -</u>	<u>\$ 47,116</u>	<u>\$ 16,113</u>

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

WATER RESERVE FUND
A NONMAJOR ENTERPRISE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Interest	\$ 2,530	\$ 2,530	\$ 5,560	\$ 3,030
Miscellaneous	<u>33,300</u>	<u>33,300</u>	<u>33,282</u>	<u>(18)</u>
Total Revenues	<u>35,830</u>	<u>35,830</u>	<u>38,842</u>	<u>3,012</u>
EXPENDITURES				
Capital Outlay	17,000	17,000 (1)	15,737	1,263
Contingency	<u>309,830</u>	<u>309,830 (1)</u>	<u>-</u>	<u>309,830</u>
Total Expenditures	<u>326,830</u>	<u>326,830</u>	<u>15,737</u>	<u>311,093</u>
Excess of Revenues Over, (Under) Expenditures	(291,000)	(291,000)	23,105	314,105
OTHER FINANCING SOURCES, (USES)				
Interfund Loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(291,000)	(291,000)	23,105	314,105
Beginning Fund Balance	<u>291,000</u>	<u>291,000</u>	<u>292,836</u>	<u>1,836</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,941</u>	<u>\$ 315,941</u>
Reconciliation to GAAP:				
Interfund Loan				
			<u>\$ 39,218</u>	
GAAP Net Position				
			<u>\$ 355,159</u>	

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

PUBLIC WORKS WASTEWATER RESERVE FUND
A NONMAJOR ENTERPRISE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Interest	\$ 500	\$ 500	\$ 1,365	\$ 865
Total Revenues	<u>500</u>	<u>500</u>	<u>1,365</u>	<u>865</u>
EXPENDITURES				
Capital Outlay	17,000	17,000 (1)	15,736	1,264
Contingency	<u>82,500</u>	<u>82,500 (1)</u>	<u>-</u>	<u>82,500</u>
Total Expenditures	<u>99,500</u>	<u>99,500</u>	<u>15,736</u>	<u>83,764</u>
Excess of Revenues Over, (Under) Expenditures	(99,000)	(99,000)	(14,371)	84,629
OTHER FINANCING SOURCES, (USES)				
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balance	(84,000)	(84,000)	629	84,629
Beginning Fund Balance	<u>84,000</u>	<u>84,000</u>	<u>84,419</u>	<u>419</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,048</u>	<u>\$ 85,048</u>

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

KNOLLS ESTATE STEP SURCHARGE FUND
A NONMAJOR ENTERPRISE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for Services	\$ 16,000	\$ 16,000	\$ 16,373	\$ 373
Interest	<u>200</u>	<u>200</u>	<u>435</u>	<u>235</u>
Total Revenues	<u>16,200</u>	<u>16,200</u>	<u>16,808</u>	<u>608</u>
EXPENDITURES				
Materials and Services	15,000	15,000 (1)	14,893	107
Contingency	<u>26,200</u>	<u>26,200 (1)</u>	<u>-</u>	<u>26,200</u>
Total Expenditures	<u>41,200</u>	<u>41,200</u>	<u>14,893</u>	<u>26,307</u>
Net Change in Fund Balance	(25,000)	(25,000)	1,915	26,915
Beginning Fund Balance	<u>25,000</u>	<u>25,000</u>	<u>27,861</u>	<u>2,861</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,776</u>	<u>\$ 29,776</u>

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

WATER DEBT SERVICE FUND
A NONMAJOR ENTERPRISE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Interest	\$ 1,500	\$ 1,500	\$ 2,225	\$ 725
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>2,225</u>	<u>725</u>
EXPENDITURES				
Debt Service	409,505	409,505 (1)	409,488	17
Contingency	<u>8,220</u>	<u>8,220 (1)</u>	<u>-</u>	<u>8,220</u>
Total Expenditures	<u>417,725</u>	<u>417,725</u>	<u>409,488</u>	<u>8,237</u>
Excess of Revenues Over, (Under) Expenditures	(416,225)	(416,225)	(407,263)	8,962
OTHER FINANCING SOURCES, (USES)				
Transfers In	<u>425,000</u>	<u>425,000</u>	<u>425,000</u>	<u>-</u>
Net Change in Fund Balance	8,775	8,775	17,737	8,962
Beginning Fund Balance	<u>229,000</u>	<u>229,000</u>	<u>229,001</u>	<u>1</u>
Ending Fund Balance	<u>\$ 237,775</u>	<u>\$ 237,775</u>	<u>\$ 246,738</u>	<u>\$ 8,963</u>

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

WASTEWATER DEBT SERVICE FUND
A NONMAJOR ENTERPRISE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Assesments	\$ 39,000	\$ 39,000	\$ 47,116	\$ 8,116
Interest	<u>9,320</u>	<u>9,320</u>	<u>5,255</u>	<u>(4,065)</u>
Total Revenues	<u>48,320</u>	<u>48,320</u>	<u>52,371</u>	<u>4,051</u>
EXPENDITURES				
Debt Service	263,800	263,800 (1)	223,786	40,014
Contingency	<u>389,520</u>	<u>389,520 (1)</u>	<u>-</u>	<u>389,520</u>
Total Expenditures	<u>653,320</u>	<u>653,320</u>	<u>223,786</u>	<u>429,534</u>
Excess of Revenues Over, (Under) Expenditures	(605,000)	(605,000)	(171,415)	433,585
OTHER FINANCING SOURCES, (USES)				
Transfers In	<u>340,000</u>	<u>340,000</u>	<u>340,000</u>	<u>-</u>
Net Change in Fund Balance	(265,000)	(265,000)	168,585	433,585
Beginning Fund Balance	<u>265,000</u>	<u>265,000</u>	<u>284,087</u>	<u>19,087</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,672</u>	<u>\$ 452,672</u>

Reconciliation to GAAP:

Deferred Revenue \$ 240,370

GAAP Net Position \$ 693,042

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018

PUBLIC WORKS OPERATIONS FUND - INTERNAL SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Earnings on Investments	\$ 1,000	\$ 1,000	\$ 2,473	\$ 1,473
Miscellaneous	-	-	3,993	3,993
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>6,466</u>	<u>5,466</u>
EXPENDITURES				
Personnel	\$ 1,204,464	\$ 1,204,464 (1)	\$ 1,159,880	\$ 44,584
Materials and Services	79,000	79,000 (1)	47,619	31,381
Contingency	20,536	20,536 (1)	-	20,536
Total Expenditures	<u>1,304,000</u>	<u>1,304,000</u>	<u>1,207,499</u>	<u>96,501</u>
Excess of Revenues Over, (Under) Expenditures	(1,303,000)	(1,303,000)	(1,201,033)	101,967
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(125,000)	(125,000) (1)	(125,000)	-
Transfers In	1,291,000	1,291,000	1,291,000	-
Net Change in Fund Balance	(137,000)	(137,000)	(35,033)	101,967
Beginning Fund Balance	<u>137,000</u>	<u>137,000</u>	<u>142,560</u>	<u>5,560</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 107,527</u></u>	<u><u>\$ 107,527</u></u>

(1) Appropriation Level

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018
Municipal Court				
Assets				
Cash	\$ 5,291	\$ -	\$ 13,079	\$ (7,788)
Accounts Receivable	-	1,872	-	1,872
Total Assets	<u>\$ 5,291</u>	<u>\$ 1,872</u>	<u>\$ 13,079</u>	<u>\$ (5,916)</u>
Liabilities				
Accounts Payable	\$ 13,787	\$ 7,358	\$ 13,787	\$ 7,358
Amounts held in trust	(8,496)	-	4,778	(13,274)
Total Liabilities	<u>\$ 5,291</u>	<u>\$ 7,358</u>	<u>\$ 18,565</u>	<u>\$ (5,916)</u>
Total Agency Funds				
Assets				
Cash	\$ 5,291	\$ -	\$ 13,079	\$ (7,788)
Accounts Receivable	-	1,872	-	1,872
Total Assets	<u>\$ 5,291</u>	<u>\$ 1,872</u>	<u>\$ 13,079</u>	<u>\$ (5,916)</u>
Liabilities				
Accounts Payable	\$ 13,787	\$ 7,358	\$ 13,787	\$ 7,358
Amounts held in trust	(8,496)	-	4,778	(13,274)
Total Liabilities	<u>\$ 5,291</u>	<u>\$ 7,358</u>	<u>\$ 18,565</u>	<u>\$ (5,916)</u>

CITY OF SUTHERLIN
DOUGLAS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS



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October 20, 2018

Independent Auditors' Report Required by Oregon State Requirements

We have audited the basic financial statements of the City of Sutherlin as of and for the year ended June 30, 2018, and have issued our report thereon dated October 20, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America..

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Highway revenues used for public highways, roads, and streets.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

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

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and "A".

Kenneth Allen, CPA
PAULY, ROGERS AND CO., P.C.