



City of Florence, Oregon

Annual Financial Report

Fiscal Year Ended June 30, 2018

CITY OF FLORENCE, OREGON
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

CITY OF FLORENCE, OREGON

Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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CITY OF FLORENCE, OREGON

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INTRODUCTORY SECTION

CITY OF FLORENCE, OREGON

Principal City Officials

June 30, 2018

ELECTED OFFICIALS

| <u>Mayor</u> | <u>Term Expiration</u> |
|-------------------------------|-------------------------------|
| Joe Henry | 12/31/2018 |
| <u>Council Members</u> | |
| Joshua Greene, President | 12/31/2020 |
| Ron Preisler, Vice President | 12/31/2020 |
| Susy Lacer | 12/31/2018 |
| Woody Woodbury | 12/31/2018 |

ADMINISTRATIVE OFFICIALS

| | |
|---------------|------------------|
| Erin Reynolds | City Manager |
| Andy Parks | Finance Director |

Mailing Address

250 Hwy. 101
Florence, Oregon 97439

FINANCIAL SECTION



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Eugene, OR 97403
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Florence, Oregon

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules for the general fund and major special revenue funds, the schedule of proportionate share of the net pension liability, the schedule of pension contributions and the schedule of changes in total OPEB liability and related ratios 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, the schedule of proportionate share of the net pension liability, the schedule of pension contributions and the schedule of changes in total OPEB liability and related ratios information 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 for the General, Street, Street System Development and FURA General funds are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and other budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated April 15, 2019 on our consideration of the City of Florence's 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.

Isler CPA

By:

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive style with a long, sweeping underline.

Paul R Nielson, CPA, a member of the firm

Eugene, Oregon

April 15, 2019

Management's Discussion and Analysis

The management of the City of Florence offers readers of the City of Florence's financial statements this narrative overview and analysis of the financial activities of the City of Florence for the fiscal year ended June 30, 2018.

Financial Highlights

The City's governmental activities assets totaled \$26.3 million at June 30, 2018, consisting of \$18.6 million in net capital assets, \$5.6 million in cash and cash equivalents and \$2.1 million in receivables and other assets. The City's governmental activities liabilities totaled \$14.3 million at June 30, 2018, consisting of \$13.5 million in noncurrent liabilities and \$0.8 million in accounts payable and other current liabilities. Total net position was \$12.8 million, of which \$8.0 million were invested in capital assets, net of related debt, \$2.1 million was restricted and the remaining \$2.7 million was unrestricted.

The City's governmental activities net position decreased by \$0.1 million or less than one percent (0.9%). Overall governmental activities revenue decreased \$0.77 million or 9.5 percent. The most significant changes were a decrease of \$1.3 million in the capital grants and contributions, an increase of \$0.17 million, or 13.2 percent, in franchise and lodging taxes, and an increase of \$0.1 million, 2.7 percent in property taxes (primarily driven by an increase in urban renewal taxes), and an increase of \$0.2 million, 13.0 percent in charges for services.

The City's business-type activities assets totaled \$40.5 million at June 30, 2018, consisting of \$35.9 million in capital assets, \$3.9 million in cash and cash equivalents and \$0.7 million in receivables and other assets. The City's business-type activities liabilities totaled \$13.6 million at June 30, 2018, consisting of \$12.3 million in noncurrent liabilities and \$1.3 million in accounts payable and other liabilities. Total net position was \$27.2 million of which \$23.8 million was invested in capital assets, net of related debt, \$0.9 million was restricted and the remaining \$2.4 million was unrestricted.

The City's business-type activities net position increased by \$1.7 million or 6.9 percent. Business-type activities revenue increased by \$0.7 million, or 10.1 percent. Capital grants and contributions were \$0.5 million, an increase of \$0.06 million, or 12.6 percent over the prior year due to increased system development contributions. Charges for services increased \$0.6 million, or 9.7 percent. The increase is related to additional consumption due to less rainfall during irrigation season. The City adjusted utility rates (water, wastewater or stormwater) 2.8 percent in fiscal year 2018, upon completion of a rate study. Future increases of approximately the consumer price index are anticipated.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Florence's basic financial statements. The City of Florence's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City of Florence's assets, and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Florence 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 only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Florence 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 of Florence include administration, community development, public safety, parks, transportation, highways and streets, and non-departmental. The business-type activities include an events center, airport, water, wastewater and stormwater services.

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 of Florence, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Florence can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 financing 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 financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Florence maintains ten individual governmental funds, which includes two funds from a blended component unit, the Florence Urban Renewal Agency. 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 the General Fund, Street Fund, Florence Urban Renewal Agency General Fund, Spruce Street LID Fund, City FURA Debt Service Fund and the FURA Debt Service Fund.

Data for the remaining funds are combined into a single aggregate presentation. Individual fund data for each of the remaining funds is provided in the form of combining schedules in the other supplemental information.

Proprietary Funds. The City of Florence maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Florence uses five enterprise funds to account for its water, wastewater, stormwater, events center, and airport activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments. Agency funds are custodial in nature and do not involve measurement of results of operations.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Pension and OPEB schedules and budgetary comparison schedules for major governmental funds are presented immediately following the notes to the basic financial statements.

Other Supplementary Information. The combining statements referred to earlier in connection with non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the required supplementary information.

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 of Florence, assets exceeded liabilities by \$40.0 million as of June 30, 2018.

The City of Florence's net investment in capital assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Florence uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence'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.

Table 1 - Net Position as of June 30
(amounts in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 7,680 | \$ 7,318 | \$ 4,547 | \$ 7,430 | \$ 12,227 | \$ 14,748 |
| Capital assets | 18,621 | 16,006 | 35,923 | 32,706 | 54,544 | 48,712 |
| Total assets | 26,301 | 23,324 | 40,470 | 40,136 | 66,771 | 63,460 |
| Deferred outflows of resources | 1,004 | 910 | 383 | 345 | 1,387 | 1,255 |
| Long-term liabilities | 13,474 | 10,592 | 12,311 | 14,420 | 25,785 | 25,012 |
| Other liabilities | 868 | 802 | 1,318 | 552 | 2,186 | 1,354 |
| Total liabilities | 14,342 | 11,394 | 13,629 | 14,972 | 27,971 | 26,366 |
| Deferred inflows of resources | 153 | 145 | 59 | 55 | 212 | 200 |
| Net position: | | | | | | |
| Net investment in capital assets | 8,007 | 8,085 | 23,816 | 19,298 | 31,823 | 27,383 |
| Restricted for: | | | | | | |
| Public safety | 247 | 160 | - | - | 247 | 160 |
| Urban renewal | 137 | 957 | - | - | 137 | 957 |
| Tourism/economic development | 91 | 70 | - | - | 91 | 70 |
| Transportation | 256 | 142 | - | - | 256 | 142 |
| System development | 425 | 593 | 862 | 1,045 | 1,287 | 1,638 |
| Debt service | 978 | 1,374 | - | - | 978 | 1,374 |
| Event Center, nonexpendable | - | - | 79 | 78 | 79 | 78 |
| Unrestricted | 2,669 | 1,314 | 2,408 | 5,033 | 5,077 | 6,347 |
| Total net position | \$ 12,810 | \$ 12,695 | \$ 27,165 | \$ 25,454 | \$ 39,975 | \$ 38,149 |

At the end of the current and past fiscal years, the City of Florence is able to report positive balances of net position in its governmental activities, business-like activities and the government as a whole.

Changes in Net Position

The City realized an overall increase in net position of \$1.55 million, or 4.0 percent in fiscal year 2018. The increase is driven by increases in the City's three utility funds; \$1.66 million. The City's internal service fund increased \$0.2 million, offsetting reductions by the City's governmental funds of \$0.1 million and Events Center and Airport combined reduction of \$0.1 million.

Governmental activities. Governmental activities decreased the City of Florence's net position by \$0.1 million, or -0.9 percent. Key elements of the change are as follows:

- Increase in franchise and lodging tax revenue of \$0.17 million, 13.2%
- Increase in charges for services of \$0.18 million, 13.0%
- Interest expense increased from prior year by \$0.05 million, 22.2%
- Increase in property tax revenue of \$0.08 million, or 2.7%
- Decrease in capital grants and contributions of \$1.36 million, or -94.1%
- Decrease in spending for community development of \$0.16 million, -16.4%
- Decrease in public safety spending of \$0.2 million, -6.1%
- Decrease in culture and recreation spending of \$0.05 million, -26.9%
- Increase in transportation spending of \$0.95 million, 10.3%
- Increase in administration spending of \$0.38 million, 26.1%
- Increase in non-departmental spending of \$0.03 million, 7.4%
- No change in spending for parks

Table 2 - Changes in Net Position
(amounts in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue | | | | | | |
| Program revenue | | | | | | |
| Charges for services | \$ 1,518 | \$ 1,343 | \$ 6,883 | \$ 6,272 | \$ 8,401 | \$ 7,615 |
| Operating grants and contributions | 1,124 | 986 | - | - | 1,124 | 986 |
| Capital grants and contributions | 85 | 1,443 | 499 | 443 | 584 | 1,886 |
| General revenue | | | | | | |
| Property taxes | 3,046 | 2,965 | - | - | 3,046 | 2,965 |
| Franchise and lodging taxes | 1,438 | 1,270 | - | - | 1,438 | 1,270 |
| Investment earnings | 95 | 66 | 96 | 79 | 191 | 145 |
| Total revenue | 7,306 | 8,073 | 7,478 | 6,794 | 14,784 | 14,867 |
| Expenses | | | | | | |
| Governmental activities | | | | | | |
| Administration | 1,817 | 1,441 | - | - | 1,817 | 1,441 |
| Community development | 815 | 975 | - | - | 815 | 975 |
| Public safety | 3,173 | 3,379 | - | - | 3,173 | 3,379 |
| Parks | 172 | 175 | - | - | 172 | 175 |
| Transportation | 1,016 | 921 | - | - | 1,016 | 921 |
| Non-departmental | 405 | 377 | - | - | 405 | 377 |
| Interest expense | 259 | 212 | - | - | 259 | 212 |
| Business-type activities | | | | | | |
| Water | - | - | 1,841 | 1,686 | 1,841 | 1,686 |
| Wastewater | - | - | 2,408 | 2,327 | 2,408 | 2,327 |
| Stormwater | - | - | 263 | 211 | 263 | 211 |
| Events Center | - | - | 865 | 933 | 865 | 933 |
| Airport | - | - | 203 | 166 | 203 | 166 |
| Total expenses | 7,657 | 7,480 | 5,580 | 5,323 | 13,237 | 12,803 |
| Change in net position before non-operating items | - 351 | 593 | 1,898 | 1,471 | 1,547 | 2,064 |
| Capital contributions | | (181) | - | 181 | - | - |
| Transfers | 239 | 130 | (239) | (130) | - | - |
| Change in net position | - 112 | 542 | 1,659 | 1,522 | 1,547 | 2,064 |
| Net position - beginning | 12,695 | 12,048 | 25,454 | 23,708 | 38,149 | 35,756 |
| Restatement | 227 | 105 | 52 | 224 | 279 | 329 |
| Net position - beginning, as restated | 12,922 | 12,153 | 25,506 | 23,932 | 38,428 | 36,085 |
| Net position - ending | \$ 12,810 | \$ 12,695 | \$ 27,165 | \$ 25,454 | \$ 39,975 | \$ 38,149 |

Business-type activities. Business-type activities increased the City of Florence's net position by \$1.7 million, or 6.5 percent. Key elements of this increase are as follows:

- Increase in expenditures of \$0.26 million, 4.8%, from the prior year
- Increase in revenue of \$0.7 million, 10.1%, from the prior year
- Reduction in capital contributions of \$0.2 million, 100%, from prior year
- Increase in transfers of \$0.1 million, 83.9%, from the prior year

Financial Analysis of the Government's Funds

As noted earlier, the City of Florence uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Florence'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 of Florence's financing requirements. In particular, the *unassigned 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 current fiscal year, the City of Florence's governmental funds reported combined ending fund balances of \$5.6 million, an increase of \$0.5 million in comparison with the prior year. The increase is attributable to unspent debt proceeds of approximately \$2.0 million in the General Fund to remodel City Hall, and \$0.2 million increase spread amongst several other funds. The increased fund balances were offset by a combined reduction in the FURA General Fund and FURA Debt Service Fund of \$1.9 million as fund balance was expended to complete capital projects.

The general fund is the chief operating fund of the City of Florence. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3.38 million, an increase of \$1.59 million, or 88.9 percent.

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

As of June 30, 2018, the net position of the City's enterprise funds are as follows:

- Water Fund \$8.63 million, an increase of \$0.26 million, 3.2 percent
- Wastewater Fund \$10.41 million, an increase of \$0.96 million, 10.1 percent
- Stormwater Fund \$2.73 million, an increase of \$0.30 million, 12.5 percent
- Airport Fund \$2.69 million, a decrease of \$0.02 million, -0.7 percent
- Events Center Fund \$2.29 million, a decrease of \$0.06 million, -2.6 percent

General Fund Budgetary Highlights

The City adopted a biennial budget for the two-year biennium of July 1, 2017 to June 30, 2019. The fiscal year 2018 allocated General Fund budget for revenues was \$8.4 million, including \$2.2 million in debt proceeds. Actual revenue for the fiscal year was \$9.5 million, including \$3.4 million in debt proceeds. The additional debt of \$1.2 million was issued to fund park land acquisition and additional project costs for City Hall. A negative variance in revenue of \$0.1 million resulted as transfers in were less than allocated by approximately \$0.18 million. Property taxes were \$0.25 million greater than budgeted, 1.0 percent, while franchise fees were \$0.17 million greater than budgeted, 20.5 percent, due to improved economic conditions and cooler than average weather. Other revenue categories were near budgeted amounts.

The fiscal year 2018 allocated General Fund budgeted expenditures totaled \$8.6 million, including \$1.9 million for City Hall. An additional \$1.2 million was appropriated for City Hall and park land acquisition. All General Fund departmental budgets were underspent relative to allocated budgets for the fiscal year, with the exception of City Hall operations and non-departmental (approximately \$0.03 million over allocation), by a total of \$2.1 million, \$0.2 million net of City Hall. City Hall construction was in progress as of June 30, 2018, with \$1.1 million expended to date of the \$3.0 million projected cost/budget. Spending in fiscal year 2019 is anticipated to be within budgeted amounts for the biennium or require limited adjustment.

Capital Asset and Debt Administration

Capital assets. The City of Florence's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$54.5 million (net of accumulated depreciation). This represents an increase of \$5.8 million, or 12.0 percent. Governmental Activities capital assets increased \$2.6 million, 16.3% resulting from investment in City Hall to be completed in January 2019 and design work for the Highway 101 streetscape project to be completed in Summer 2019. The business-type funds realized an increase of \$3.2 million, 9.8% due to continuing investment in the City's water (\$1.5 million), wastewater (\$1.0 million), Stormwater (\$0.1 million), Airport (\$0.2 million), Events Center (\$0.1 million), and completion of the City's Public Works Facility (\$2.1 million). Additionally, \$1.2 million of debt was paid off during the year while \$1.7 million in depreciation was realized.

The investment in capital assets includes land, buildings and improvements, utility infrastructure, vehicles and equipment, park facilities, roads and work in progress within these various categories, net of depreciation.

The following table summarizes the City of Florence's capital assets as of June 30, 2018:

Table 3

Capital Assets as of June 30th
(net of depreciation, in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|-------------------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 2,031 | \$ 970 | \$ 1,868 | \$ 1,868 | \$ 3,899 | \$ 2,838 |
| Buildings and improvements | 4,983 | 4,998 | 16,639 | 13,528 | 21,622 | 18,526 |
| Equipment and vehicles | 646 | 664 | 1,341 | 1,169 | 1,987 | 1,833 |
| Utility systems | - | - | 5,182 | 4,880 | 5,182 | 4,880 |
| Infrastructure | 8,508 | 5,675 | 8,097 | 7,076 | 16,605 | 12,751 |
| Construction in progress | 2,453 | 3,699 | 2,796 | 4,185 | 5,249 | 7,884 |
| Capital assets, net of depreciation | \$ 18,621 | \$ 16,006 | \$ 35,923 | \$ 32,706 | \$ 54,544 | \$ 48,712 |

Additional information on the City of Florence's capital assets can be found in note III.C.

Long-term debt. At the end of the fiscal year, the City of Florence had total long-term liabilities outstanding of \$22.7 million. During fiscal year 2018 the City completed a \$3.395 million financing to fund the remodel of City Hall and completion of shell space at the Justice Center. The City paid principal on outstanding debt totaling \$2.0 million. The City timely paid its debt service payments during the year and was in compliance with required debt covenants, with the exception of completing its annual audit timely.

Table 4

Outstanding Long-term Debt Obligations as of June 30th
(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------|-------------------------|----------|--------------------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Bonds payable | \$ 2,647 | \$ 2,911 | \$ 3,405 | \$ 4,201 | \$ 6,052 | \$ 7,112 |
| Notes payable | 3,352 | 140 | 4,178 | 4,502 | 7,530 | 4,642 |
| Line of credit | 4,615 | 4,870 | 4,524 | 4,706 | 9,139 | 9,576 |
| Total | \$ 10,614 | \$ 7,921 | \$ 12,107 | \$ 13,409 | \$ 22,721 | \$ 21,330 |

Additional information on the City of Florence's long-term debt and liabilities can be found in note III.E.

Economic Factors and Next Year's Budgets and Rates

In preparing the budget for the 2017-19 biennium, the City's first biennial budget, City management presented two-year spending in addition to a six-year financial plan for consideration and approval by the City's Budget Committee and City Council. The budget included updated assumptions for inflation and adjustments to utility rates and other City fees and charges for the two-year period. City utility rates were increased annually by the CPI-W, with additional phased-in adjustments to address equity considerations identified in the utility rate study, street revenue was increased to provide additional funding for street maintenance. Other fees and charges were adjusted to recover costs associated with inflation.

The local economy shows signs of recovery, with additional real estate development, and increased tourism. Increases to property valuation continue to lag expectations, and revenue forecasts were adjusted accordingly. Personnel costs, due to the increased cost of PERS and health care above inflation, are still outpacing increases in revenue. The City continues to offset this disparity by retaining its staff size, investing in technology where beneficial, thus becoming more efficient. Additionally, the City is outsourcing various functions where cost savings can be realized.

Annual inflation is projected to remain in the 1.5 percent to 3.0 percent range, while local population growth is projected to remain below 1.0 percent annually. Development activity is projected to trend upward with the potential for several projects to seek development approval during the next two-year period.

Requests for information

This financial report is designed to provide a general overview of the City of Florence's finances for all 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 the Administrative Services Director, 250 Highway 101, Florence, 97439.

BASIC FINANCIAL STATEMENTS

CITY OF FLORENCE, OREGON

Statement of Net Position

June 30, 2018

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,625,833 | \$ 3,880,610 | \$ 9,506,443 |
| Receivables: | | | |
| Accounts | 399,009 | 529,337 | 928,346 |
| Taxes | 210,655 | - | 210,655 |
| Assessments | 1,260,252 | - | 1,260,252 |
| Inventories | - | 95,136 | 95,136 |
| Internal balances | 50,300 | (50,300) | - |
| Prepaid expenses | 88,890 | - | 88,890 |
| Notes receivable | 45,464 | 91,602 | 137,066 |
| Capital assets not being depreciated | 4,483,889 | 4,664,253 | 9,148,142 |
| Capital assets net of accumulated depreciation | <u>14,137,058</u> | <u>31,259,116</u> | <u>45,396,174</u> |
| Total assets | <u>26,301,350</u> | <u>40,469,754</u> | <u>66,771,104</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | 983,354 | 372,580 | 1,355,934 |
| Related to OPEB | <u>20,150</u> | <u>9,852</u> | <u>30,002</u> |
| Total assets and deferred outflows | <u>27,304,854</u> | <u>40,852,186</u> | <u>68,157,040</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 385,726 | 271,876 | 657,602 |
| Accrued payroll liabilities | 163,139 | - | 163,139 |
| Deposits payable | 20,000 | - | 20,000 |
| Interest payable | 29,830 | 31,319 | 61,149 |
| Compensated absences | 269,369 | 114,069 | 383,438 |
| Noncurrent liabilities: | | | |
| Due within one year | 702,692 | 1,304,770 | 2,007,462 |
| Due in more than one year | 9,911,377 | 10,802,173 | 20,713,550 |
| Net pension liability | 2,671,884 | 1,012,342 | 3,684,226 |
| Net OPEB liability | <u>188,280</u> | <u>92,052</u> | <u>280,332</u> |
| Total liabilities | <u>14,342,297</u> | <u>13,628,601</u> | <u>27,970,898</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | 144,880 | 54,892 | 199,772 |
| Related to OPEB | <u>7,866</u> | <u>3,847</u> | <u>11,713</u> |
| Total liabilities and deferred inflows | <u>14,495,043</u> | <u>13,687,340</u> | <u>28,182,383</u> |
| NET POSITION | | | |
| Net invested in capital assets | 8,006,878 | 23,816,426 | 31,823,304 |
| Restricted for: | | | |
| Public safety | 246,655 | - | 246,655 |
| Urban renewal projects | 137,144 | - | 137,144 |
| Tourism | 91,305 | - | 91,305 |
| Transportation | 256,376 | - | 256,376 |
| System development | 424,805 | 862,296 | 1,287,101 |
| Debt service payments | 978,279 | - | 978,279 |
| Events Center, nonexpendable | - | 78,549 | 78,549 |
| Unrestricted | <u>2,668,369</u> | <u>2,407,575</u> | <u>5,075,944</u> |
| Total net position | <u>\$ 12,809,811</u> | <u>\$ 27,164,846</u> | <u>\$ 39,974,657</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON

Statement of Activities

For the Year Ended June 30, 2018

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|---|--|--|--|-----------------------------|----------------------|
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| | | | | | | | |
| Governmental activities: | | | | | | | |
| Administration | \$ 1,816,801 | \$ 753,794 | \$ 346,627 | \$ - | \$ (716,380) | \$ - | \$ (716,380) |
| Community development | 814,792 | - | - | - | (814,792) | - | (814,792) |
| Public safety | 3,172,966 | 374,369 | 192,366 | - | (2,606,231) | - | (2,606,231) |
| Parks | 172,065 | - | 22,267 | - | (149,798) | - | (149,798) |
| Transportation | 1,016,683 | 390,019 | 562,308 | 84,630 | 20,274 | - | 20,274 |
| Non-departmental | 405,137 | - | - | - | (405,137) | - | (405,137) |
| Interest on long-term liabilities | 258,623 | - | - | - | (258,623) | - | (258,623) |
| Total governmental activities | <u>7,657,067</u> | <u>1,518,182</u> | <u>1,123,568</u> | <u>84,630</u> | <u>(4,930,687)</u> | <u>-</u> | <u>(4,930,687)</u> |
| Business-type activities: | | | | | | | |
| Water | 1,841,688 | 2,229,385 | - | 133,650 | - | 521,347 | 521,347 |
| Wastewater | 2,407,923 | 3,472,585 | - | 173,011 | - | 1,237,673 | 1,237,673 |
| Stormwater | 262,831 | 540,219 | - | 83,853 | - | 361,241 | 361,241 |
| Events Center | 864,686 | 446,959 | - | 108,005 | - | (309,722) | (309,722) |
| Airport | 202,901 | 194,110 | - | - | - | (8,791) | (8,791) |
| Total business-type activities | <u>5,580,029</u> | <u>6,883,258</u> | <u>-</u> | <u>498,519</u> | <u>-</u> | <u>1,801,748</u> | <u>1,801,748</u> |
| Total government | <u>\$ 13,237,096</u> | <u>\$ 8,401,440</u> | <u>\$ 1,123,568</u> | <u>\$ 583,149</u> | <u>(4,930,687)</u> | <u>1,801,748</u> | <u>(3,128,939)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 3,046,132 | - | 3,046,132 |
| Transient room taxes | | | | | 409,343 | - | 409,343 |
| Franchise fees | | | | | 1,028,691 | - | 1,028,691 |
| Unrestricted investment earnings | | | | | 95,141 | 95,833 | 190,974 |
| Transfers | | | | | 238,800 | (238,800) | - |
| Total general revenues and transfers | | | | | <u>4,818,107</u> | <u>(142,967)</u> | <u>4,675,140</u> |
| Change in net position | | | | | (112,580) | 1,658,781 | 1,546,201 |
| Net position, beginning, as restated (see note IV.D.) | | | | | <u>12,922,391</u> | <u>25,506,065</u> | <u>38,428,456</u> |
| Net position, ending | | | | | <u>\$ 12,809,811</u> | <u>\$ 27,164,846</u> | <u>\$ 39,974,657</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2018

| | General | Streets | FURA General | Spruce Street LID Bond | City FURA Debt Service |
|---|---------------------|-------------------|-------------------|---------------------------|---------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,596,026 | \$ 643,816 | \$ 175,505 | \$ 578,072 | \$ - |
| Receivables: | | | | | |
| Accounts | 184,831 | 107,389 | - | - | - |
| Taxes | 169,505 | - | - | - | - |
| Assessments | 127,276 | 17,338 | - | 1,115,638 | - |
| Due from other funds | 50,300 | - | - | - | - |
| Prepaid expenses | 88,890 | - | - | - | - |
| Notes receivable | - | 45,464 | - | - | - |
| Interfund note receivable | 500,000 | - | - | - | 3,487,440 |
| Total assets | <u>\$ 4,716,828</u> | <u>\$ 814,007</u> | <u>\$ 175,505</u> | <u>\$ 1,693,710</u> | <u>\$ 3,487,440</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 295,437 | \$ 50,024 | \$ 38,361 | \$ - | \$ - |
| Accrued payroll liabilities | 163,139 | - | - | - | - |
| Deposits payable | - | 20,000 | - | - | - |
| Interfund note payable | - | - | - | - | - |
| Total liabilities | <u>458,576</u> | <u>70,024</u> | <u>38,361</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenues: | | | | | |
| Property taxes | 165,831 | - | - | - | - |
| Assessments | 127,276 | 17,338 | - | 1,115,638 | - |
| Notes receivable | - | 45,464 | - | - | - |
| Total deferred inflows of resources | <u>293,107</u> | <u>62,802</u> | <u>-</u> | <u>1,115,638</u> | <u>-</u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 88,890 | - | - | - | - |
| Interfund loans receivable | 500,000 | - | - | - | 3,487,440 |
| Restricted for: | | | | | |
| Public safety | - | - | - | - | - |
| Urban renewal projects | - | - | 137,144 | - | - |
| Tourism | - | - | - | - | - |
| Transportation | - | 256,376 | - | - | - |
| System development | - | 424,805 | - | - | - |
| Debt service payments | - | - | - | 578,072 | - |
| Unassigned | <u>3,376,255</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>3,965,145</u> | <u>681,181</u> | <u>137,144</u> | <u>578,072</u> | <u>3,487,440</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 4,716,828</u> | <u>\$ 814,007</u> | <u>\$ 175,505</u> | <u>\$ 1,693,710</u> | <u>\$ 3,487,440</u> |

The accompanying notes are an integral part of these financial statements.

| FURA Debt Service | Nonmajor Governmental Funds | Total |
|----------------------|-----------------------------------|----------------------|
| \$ 278,927 | \$ 353,487 | \$ 5,625,833 |
| - | 106,789 | 399,009 |
| 24,834 | 16,316 | 210,655 |
| - | - | 1,260,252 |
| - | - | 50,300 |
| - | - | 88,890 |
| - | - | 45,464 |
| - | - | 3,987,440 |
| <u>\$ 303,761</u> | <u>\$ 476,592</u> | <u>\$ 11,667,843</u> |

| | | |
|------------------|--------------|------------------|
| \$ - | \$ 1,904 | \$ 385,726 |
| - | - | 163,139 |
| - | - | 20,000 |
| 3,987,440 | - | 3,987,440 |
| <u>3,987,440</u> | <u>1,904</u> | <u>4,556,305</u> |

| | | |
|---------------|---------------|------------------|
| 24,187 | 16,095 | 206,113 |
| - | - | 1,260,252 |
| - | - | 45,464 |
| <u>24,187</u> | <u>16,095</u> | <u>1,511,829</u> |

| | | |
|--------------------|-------------------|----------------------|
| - | - | 88,890 |
| - | - | 3,987,440 |
| - | 246,655 | 246,655 |
| - | - | 137,144 |
| - | 91,305 | 91,305 |
| - | - | 256,376 |
| - | - | 424,805 |
| 279,574 | 120,633 | 978,279 |
| (3,987,440) | - | (611,185) |
| <u>(3,707,866)</u> | <u>458,593</u> | <u>5,599,709</u> |
| <u>\$ 303,761</u> | <u>\$ 476,592</u> | <u>\$ 11,667,843</u> |

The accompanying notes are an integral part of these financial statements.

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

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|--|---------------------|----------------------|
| Fund balances - governmental funds | | \$ 5,599,709 |
| Receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | | 1,511,829 |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds: | | |
| Nondepreciable assets | \$ 4,483,889 | |
| Depreciable assets | 26,888,292 | |
| Accumulated depreciation | <u>(12,751,234)</u> | |
| | | 18,620,947 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Compensated absences | (269,369) | |
| Accrued interest payable | (29,830) | |
| Long-term debt | <u>(10,614,069)</u> | |
| | | <u>(10,913,268)</u> |
| Assets, liabilities, deferred inflows and deferred outflows related to the City's portion of the State-wide pension plan and other post employment benefits are not current resources or requirements and therefore are not reported in the funds: | | |
| Deferred outflows of resources related to pensions | 983,354 | |
| Deferred outflows of resources related to OPEB | 20,150 | |
| Net pension liability | (2,671,884) | |
| Net OPEB liability | (188,280) | |
| Deferred inflows of resources related to pensions | (144,880) | |
| Deferred inflows of resources related to OPEB | <u>(7,866)</u> | |
| | | <u>(2,009,406)</u> |
| Net position of governmental activities | | <u>\$ 12,809,811</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

| | General | Streets | FURA General | Spruce Street LID Bond | City FURA Debt Service |
|--|---------------------|-------------------|--------------------|---------------------------|---------------------------|
| Revenues: | | | | | |
| Taxes | \$ 2,501,550 | \$ - | \$ - | \$ - | \$ - |
| Franchise fees | 969,341 | 59,350 | - | - | - |
| Licenses and permits | 281,348 | - | - | - | - |
| Intergovernmental | 459,348 | 597,035 | - | - | 106,366 |
| Charges for services | 560,363 | 381,239 | - | - | - |
| Fines and forfeitures | 230,361 | - | - | - | - |
| Earnings and contributions | 69,662 | 70,117 | 13,609 | 125,353 | - |
| Total revenues | <u>5,071,973</u> | <u>1,107,741</u> | <u>13,609</u> | <u>125,353</u> | <u>106,366</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Administration | 1,596,316 | - | 208,755 | - | - |
| Community development | 740,316 | - | - | - | - |
| Public safety | 2,152,243 | - | - | - | - |
| Parks | 127,986 | - | - | - | - |
| Transportation | - | 331,997 | - | - | - |
| Non-departmental | 246,575 | - | - | 400 | - |
| Capital outlay | 1,697,289 | 260,888 | 1,724,498 | - | - |
| Debt service: | | | | | |
| Principal | 139,753 | 207,092 | - | 50,000 | 139,864 |
| Interest | 35,065 | 48,811 | - | 44,956 | 106,366 |
| Total expenditures | <u>6,735,543</u> | <u>848,788</u> | <u>1,933,253</u> | <u>95,356</u> | <u>246,230</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,663,570)</u> | <u>258,953</u> | <u>(1,919,644)</u> | <u>29,997</u> | <u>(139,864)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 1,030,000 | - | - | - | - |
| Transfers out | (650,400) | (313,100) | - | - | - |
| Transfer interfund note payable | - | - | 1,100,012 | - | - |
| Loan proceeds | 3,395,000 | - | - | - | - |
| Total other financing sources (uses) | <u>3,774,600</u> | <u>(313,100)</u> | <u>1,100,012</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 2,111,030 | (54,147) | (819,632) | 29,997 | (139,864) |
| Fund Balances: | | | | | |
| Beginning of year | <u>1,854,115</u> | <u>735,328</u> | <u>956,776</u> | <u>548,075</u> | <u>3,627,304</u> |
| End of year | <u>\$ 3,965,145</u> | <u>\$ 681,181</u> | <u>\$ 137,144</u> | <u>\$ 578,072</u> | <u>\$ 3,487,440</u> |

The accompanying notes are an integral part of these financial statements.

| FURA Debt Service | Nonmajor Governmental Funds | Total |
|-----------------------|-----------------------------------|---------------------|
| \$ 439,591 | \$ 662,069 | \$ 3,603,210 |
| - | - | 1,028,691 |
| - | - | 281,348 |
| - | - | 1,162,749 |
| - | 172,548 | 1,114,150 |
| - | - | 230,361 |
| <u>4,908</u> | <u>9,940</u> | <u>293,589</u> |
| <u>444,499</u> | <u>844,557</u> | <u>7,714,098</u> |
| - | - | 1,805,071 |
| - | - | 740,316 |
| - | 595,736 | 2,747,979 |
| - | - | 127,986 |
| - | - | 331,997 |
| - | 155,004 | 401,979 |
| - | - | 3,682,675 |
| - | 164,094 | 700,803 |
| <u>106,366</u> | <u>17,312</u> | <u>358,876</u> |
| <u>106,366</u> | <u>932,146</u> | <u>10,897,682</u> |
| <u>338,133</u> | <u>(87,589)</u> | <u>(3,183,584)</u> |
| - | 535,500 | 1,565,500 |
| - | (363,200) | (1,326,700) |
| (1,100,012) | - | - |
| - | - | 3,395,000 |
| <u>(1,100,012)</u> | <u>172,300</u> | <u>3,633,800</u> |
| (761,879) | 84,711 | 450,216 |
| <u>(2,945,987)</u> | <u>373,882</u> | <u>5,149,493</u> |
| <u>\$ (3,707,866)</u> | <u>\$ 458,593</u> | <u>\$ 5,599,709</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON
 Reconciliation of the Statement of Revenues, Expenditures, And Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2018

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

Net change in fund balances - governmental funds \$ 450,216

Revenues in the statement of activities that do not provide current financial
 resources are not reported as revenues in the funds.

Change in unavailable revenues (128,545)

Some expenses reported in the statement of activities do not require the use of
 current financial resources and, therefore, are not reported as expenditures in
 the governmental funds.

Change in:

| | | |
|--|---------------|-----------|
| Compensated absences | \$ (19,236) | |
| Accrued interest payable | (6,473) | |
| Expenses related to pension obligations | (354,546) | |
| Expenses related to pension obligations OPEB | <u>24,366</u> | |
| | | (355,889) |

Capital outlays are reported as expenditures in governmental funds.
 However, the Statement of Activities allocates the cost of capital outlays
 over their estimated useful lives as depreciation expense.

| | | |
|---------------------------------|--------------------|-----------|
| Expenditures for capital assets | 3,682,790 | |
| Current year depreciation | <u>(1,067,315)</u> | |
| | | 2,615,475 |

Proceeds from the issuance of long-term debt provide current financial
 resources to governmental funds and are reported as other financing
 sources. In the same way, repayments of long-term debt use current
 financial resources and are reported as expenditures in governmental
 funds. However, neither the receipt of debt proceeds nor the payment of
 debt principal affect the Statement of Activities, but are reported as
 increases and decreases in noncurrent liabilities in the Statement of Net
 Position.

| | | |
|--------------------------------|-------------|--------------------|
| Proceeds from issuance of debt | (3,395,000) | |
| Repayment of long-term debt | 700,803 | |
| Amortization of premiums | <u>360</u> | |
| | | <u>(2,693,837)</u> |

Change in net position of governmental activities \$ (112,580)

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2018

| | Enterprise Funds | | | | | | Internal Service Public Works Admin |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|----------------------|---|
| | Major Funds | | | Nonmajor Funds | | | |
| | Water | Wastewater | Events Center | Stormwater | Airport | Total | |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 1,391,270 | \$ 851,733 | \$ 373,956 | \$ 1,090,701 | \$ - | \$ 3,707,660 | \$ 172,950 |
| Accounts receivable, net | 198,919 | 275,661 | - | 54,757 | - | 529,337 | - |
| Inventory | 65,276 | 15,476 | - | - | 14,384 | 95,136 | - |
| Total current assets | <u>1,655,465</u> | <u>1,142,870</u> | <u>373,956</u> | <u>1,145,458</u> | <u>14,384</u> | <u>4,332,133</u> | <u>172,950</u> |
| Noncurrent assets: | | | | | | | |
| Notes receivable | 6,814 | 68,418 | - | 16,370 | - | 91,602 | - |
| Capital assets: | - | | | | | | |
| Nondepreciable assets | 1,221,534 | 1,619,484 | 236,584 | 84,873 | 1,501,778 | 4,664,253 | - |
| Depreciable assets, net | 7,829,659 | 14,819,493 | 1,885,279 | 1,761,717 | 1,281,262 | 27,577,410 | 3,681,706 |
| Total noncurrent assets | <u>9,058,007</u> | <u>16,507,395</u> | <u>2,121,863</u> | <u>1,862,960</u> | <u>2,783,040</u> | <u>32,333,265</u> | <u>3,681,706</u> |
| Total assets | 10,713,472 | 17,650,265 | 2,495,819 | 3,008,418 | 2,797,424 | 36,665,398 | 3,854,656 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Related to pensions | 40,298 | 105,950 | 79,639 | 7,632 | - | 233,519 | 139,061 |
| Related to OPEB | 2,008 | 1,846 | 2,607 | 661 | - | 7,122 | 2,730 |
| Total assets & deferred outflows | <u>10,755,778</u> | <u>17,758,061</u> | <u>2,578,065</u> | <u>3,016,711</u> | <u>2,797,424</u> | <u>36,906,039</u> | <u>3,996,447</u> |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accruals | 102,356 | 100,709 | 7,158 | 5,671 | 52,471 | 268,365 | 3,511 |
| Interest payable | 6,988 | 16,202 | - | 560 | - | 23,750 | 7,569 |
| Compensated absences | 11,471 | 20,583 | 25,075 | 3,234 | - | 60,363 | 53,706 |
| Due to other funds | - | - | - | - | 50,300 | 50,300 | - |
| Current portion of long-term debt | 85,967 | 1,075,026 | - | 15,313 | - | 1,176,306 | 128,464 |
| Total current liabilities | 206,782 | 1,212,520 | 32,233 | 24,778 | 102,771 | 1,579,084 | 193,250 |
| Noncurrent liabilities: | | | | | | | |
| Net pension liability | 109,494 | 287,878 | 216,390 | 20,737 | - | 634,499 | 377,843 |
| Net OPEB liability | 18,763 | 17,248 | 24,355 | 6,177 | - | 66,543 | 25,509 |
| Long-term debt, net of current | 1,781,331 | 5,809,746 | - | 229,140 | - | 7,820,217 | 2,981,956 |
| Total liabilities | 2,116,370 | 7,327,392 | 272,978 | 280,832 | 102,771 | 10,100,343 | 3,578,558 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Related to pensions | 5,938 | 15,609 | 11,733 | 1,124 | - | 34,404 | 20,488 |
| Related to OPEB | 784 | 721 | 1,018 | 258 | - | 2,781 | 1,066 |
| Total liabilities & deferred inflows | <u>2,123,092</u> | <u>7,343,722</u> | <u>285,729</u> | <u>282,214</u> | <u>102,771</u> | <u>10,137,528</u> | <u>3,600,112</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 7,183,895 | 9,554,205 | 2,121,863 | 1,602,137 | 2,783,040 | 23,245,140 | 571,286 |
| Restricted for: | | | | | | | |
| System development | 208,280 | 449,796 | - | 204,220 | - | 862,296 | - |
| Events Center, nonexpendable | - | - | 78,549 | - | - | 78,549 | - |
| Unrestricted | 1,240,511 | 410,338 | 91,924 | 928,140 | (88,387) | 2,582,526 | (174,951) |
| Total net position | <u>\$ 8,632,686</u> | <u>\$ 10,414,339</u> | <u>\$ 2,292,336</u> | <u>\$ 2,734,497</u> | <u>\$ 2,694,653</u> | <u>26,768,511</u> | <u>\$ 396,335</u> |
| Reconciliation to Business-type Activities: | | | | | | | |
| Net position of internal service funds | | | | | | <u>396,335</u> | |
| Net Position of Business-Type Activities | | | | | | <u>\$ 27,164,846</u> | |

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

| | Enterprise Funds | | | | | Total | Internal |
|--|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| | Major Funds | | | Nonmajor Funds | | | Service |
| | Water | Wastewater | Events Center | Stormwater | Airport | | Public Works Admin |
| Operating Revenues | | | | | | | |
| Charges for services | \$ 2,201,046 | \$ 3,225,921 | \$ 239,712 | \$ 539,279 | \$ 62,592 | \$ 6,268,550 | \$ 22,900 |
| Other revenue | 28,257 | 246,664 | 207,247 | 940 | 131,518 | 614,626 | 82 |
| Total operating revenues | <u>2,229,303</u> | <u>3,472,585</u> | <u>446,959</u> | <u>540,219</u> | <u>194,110</u> | <u>6,883,176</u> | <u>22,982</u> |
| Operating Expenses | | | | | | | |
| Personal services | 328,842 | 349,295 | 332,660 | 70,708 | - | 1,081,505 | 627,789 |
| Materials and services | 512,326 | 684,322 | 385,747 | 47,489 | 105,927 | 1,735,811 | 93,183 |
| Depreciation | 570,648 | 862,691 | 146,279 | 75,335 | 81,197 | 1,736,150 | 34,271 |
| Total operating expenses | <u>1,411,816</u> | <u>1,896,308</u> | <u>864,686</u> | <u>193,532</u> | <u>187,124</u> | <u>4,553,466</u> | <u>755,243</u> |
| Operating income (loss) | <u>817,487</u> | <u>1,576,277</u> | <u>(417,727)</u> | <u>346,687</u> | <u>6,986</u> | <u>2,329,710</u> | <u>(732,261)</u> |
| Nonoperating Revenues (Expenses) | | | | | | | |
| Grants and contributions | - | - | 108,005 | - | - | 108,005 | - |
| Interest income | 31,237 | 17,725 | 8,589 | 16,531 | 281 | 74,363 | 21,470 |
| Interest expense | (62,872) | (136,355) | - | (1,318) | - | (200,545) | (93,675) |
| Total nonoperating revenues (expenses) | <u>(31,635)</u> | <u>(118,630)</u> | <u>116,594</u> | <u>15,213</u> | <u>281</u> | <u>(18,177)</u> | <u>(72,205)</u> |
| Income (loss) before contributions & transfers | 785,852 | 1,457,647 | (301,133) | 361,900 | 7,267 | 2,311,533 | (804,466) |
| Capital Contributions and Transfers | | | | | | | |
| System development charges | 133,650 | 173,011 | - | 83,853 | - | 390,514 | - |
| Transfers in | - | - | 297,500 | - | - | 297,500 | 1,016,700 |
| Transfers out | (655,000) | (672,600) | (56,200) | (142,500) | (26,700) | (1,553,000) | - |
| Change in net position | 264,502 | 958,058 | (59,833) | 303,253 | (19,433) | 1,446,547 | 212,234 |
| Net Position: | | | | | | | |
| Beginning of year, as restated (see note IV.D.) | <u>8,368,184</u> | <u>9,456,281</u> | <u>2,352,169</u> | <u>2,431,244</u> | <u>2,714,086</u> | | <u>184,101</u> |
| End of year | <u>\$ 8,632,686</u> | <u>\$ 10,414,339</u> | <u>\$ 2,292,336</u> | <u>\$ 2,734,497</u> | <u>\$ 2,694,653</u> | | <u>\$ 396,335</u> |
| Reconciliation to Business-type Activities: | | | | | | | |
| Change in net position of internal service funds | | | | | | <u>212,234</u> | |
| Change in Net Position of Business-Type Activities | | | | | | <u>\$ 1,658,781</u> | |

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2018

| | Enterprise Funds | | | | | Internal Service | |
|---|---------------------|--------------------|-------------------|---------------------|------------------|---------------------|-----------------------|
| | Major Funds | | Nonmajor Funds | | | | Public Works Admin |
| | Water | Wastewater | Events Center | Stormwater | Airport | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts from customers | \$ 2,220,653 | \$ 3,479,046 | \$ 446,959 | \$ 536,478 | \$ 194,110 | \$ 6,877,246 | \$ 22,982 |
| Payments to suppliers and contractors | (466,821) | (646,054) | (391,167) | (47,101) | (87,712) | (1,638,855) | (337,807) |
| Payments to employees | (320,766) | (376,675) | (285,092) | (67,267) | - | (1,049,800) | (532,032) |
| Net cash provided by (used in) operating activities | <u>1,433,066</u> | <u>2,456,317</u> | <u>(229,300)</u> | <u>422,110</u> | <u>106,398</u> | <u>4,188,591</u> | <u>(846,857)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Transfers in | - | - | 297,500 | - | - | 297,500 | 1,016,700 |
| Transfers out | (655,000) | (672,600) | (56,200) | (142,500) | (26,700) | (1,553,000) | - |
| Receipt (repayment) on interfund loan | - | - | - | - | 50,300 | 50,300 | - |
| Net cash provided by (used in) noncapital financing activities | <u>(655,000)</u> | <u>(672,600)</u> | <u>241,300</u> | <u>(142,500)</u> | <u>23,600</u> | <u>(1,205,200)</u> | <u>1,016,700</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| System development charges received | 133,650 | 173,011 | - | 83,853 | - | 390,514 | - |
| Acquisition of capital assets | (1,537,599) | (970,924) | (112,897) | (84,873) | (203,652) | (2,909,945) | (2,078,301) |
| Principal paid on debt | (106,178) | (1,034,779) | - | (14,500) | - | (1,155,457) | (124,743) |
| Interest paid on debt | (63,489) | (159,217) | - | (1,850) | - | (224,556) | (94,867) |
| Grants and contributions received | - | - | 108,005 | - | - | 108,005 | - |
| Net cash used in capital and related financing activities | <u>(1,573,616)</u> | <u>(1,991,909)</u> | <u>(4,892)</u> | <u>(17,370)</u> | <u>(203,652)</u> | <u>(3,791,439)</u> | <u>(2,297,911)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Interest received | <u>31,237</u> | <u>17,725</u> | <u>8,589</u> | <u>16,531</u> | <u>281</u> | <u>74,363</u> | <u>21,470</u> |
| Net change in cash and cash equivalents | (764,313) | (190,467) | 15,697 | 278,771 | (73,373) | (733,685) | (2,106,598) |
| Cash and cash equivalents: | | | | | | | |
| Beginning of year | <u>2,155,583</u> | <u>1,042,200</u> | <u>358,259</u> | <u>811,930</u> | <u>73,373</u> | <u>4,441,345</u> | <u>2,279,548</u> |
| End of year | <u>\$ 1,391,270</u> | <u>\$ 851,733</u> | <u>\$ 373,956</u> | <u>\$ 1,090,701</u> | <u>\$ -</u> | <u>\$ 3,707,660</u> | <u>\$ 172,950</u> |

Continued on next page

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
Statement of Cash Flows, Continued
For the Year Ended June 30, 2018

| | Enterprise Funds | | | | | | Internal Service Public Works Admin |
|--|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|--|
| | Major Funds | | | Nonmajor Funds | | | |
| | Water | Wastewater | Events Center | Stormwater | Airport | Total | |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Operating income (loss) | \$ 817,487 | \$ 1,576,277 | \$ (417,727) | \$ 346,687 | \$ 6,986 | \$ 2,329,710 | \$ (732,261) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation | 570,648 | 862,691 | 146,279 | 75,335 | 81,197 | 1,736,150 | 34,271 |
| Changes in operating assets and liabilities and deferred outflows and inflows of resources: | | | | | | | |
| Receivables | (8,650) | 6,461 | - | (3,741) | - | (5,930) | - |
| Inventory | (4,744) | 1,406 | - | - | 2,793 | (545) | - |
| Net pension and OPEB liability and related changes in deferred outflows and inflows of resources | 11,037 | (30,814) | 47,400 | 1,752 | - | 29,375 | 81,110 |
| Accounts payable and accrued expenses | 50,249 | 36,862 | (5,420) | 388 | 15,422 | 97,501 | (244,624) |
| Payroll and related expenses | (2,961) | 3,434 | 168 | 1,689 | - | 2,330 | 14,647 |
| Net cash provided by (used in) operating activities | <u>\$ 1,433,066</u> | <u>\$ 2,456,317</u> | <u>\$ (229,300)</u> | <u>\$ 422,110</u> | <u>\$ 106,398</u> | <u>\$ 4,188,591</u> | <u>\$ (846,857)</u> |

The accompanying notes are an integral part of these financial statements.

City of Florence, Oregon
FIDUCIARY FUNDS
Statement of Fiduciary Net Position
June 30, 2018

| | <u>Agency Fund</u> |
|---------------------------|--------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>50,384</u> |
| LIABILITIES | |
| Amount held for others | \$ <u>50,384</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of Significant Accounting Policies

A. Reporting Entity

The City of Florence (City) is a municipal corporation governed by an elected mayor and four-member council. These financial statements present the primary government and its component unit, the Florence Urban Renewal Agency, a separate legal entity for which the City is considered to be financially accountable.

Blended component unit. The Florence Urban Renewal Agency (Agency) was formed to plan, direct, and manage certain projects within Florence. Pursuant to ORS 457.055 and under Lane County's order No. 86-8-27-1H, the City Council has appointed a nine member board as the governing body of the Agency. The Agency was formed by the City as a separate legal entity to implement the programs in the revitalization plan of the City. Upon completion, all projects constructed become assets of the City. The Florence Urban Renewal Agency General Fund and Florence Urban Renewal Agency Debt Service Fund are reported as governmental funds. Separate financial statements for the Florence Urban Renewal Agency can be obtained from the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position.

The statement of activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Indirect expenses* are those costs, usually administrative in nature, that support all City functions, programs, and enable direct services to be provided. *Program revenues* include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major and nonmajor individual enterprise funds are reported in separate columns in the fund financial statements. Nonmajor governmental funds are aggregated in a single column on these statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary funds financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of Significant Accounting Policies, Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

The City reports the following major governmental funds:

- *General Fund.* This is the government's primary operating fund. It accounts for all of the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise taxes, and state shared revenues. Primary expenditures are for general government and public safety.

- *Street Program.* This program reports activity from the following budgeted funds:

Street Fund. This was established as a requirement of Oregon Revised Statutes 366.815. Monies received from the State of Oregon (gasoline tax apportionment), the City's street maintenance fee, and grants are the major sources of revenue. These monies are to be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets, sidewalks, bike lanes, and paths.

Street System Development Fund. This fund is used to account for major street improvements. The primary source of revenues is street system development fees on new construction within the City. The use of these funds is restricted by State statute and City ordinance.

- *FURA General Fund.* This fund accounts for the activities associated with the City's Urban Renewal Plan. The primary resources are debt proceeds, grants and developer contributions.
- *Spruce Street LID Bond Fund.* This fund is used to account for special assessment revenue from a local improvement district (LID) and the servicing of related bonded debt incurred for the improvement of Spruce Street.
- *City FURA Debt Service Fund.* This fund accounts for the issuance and repayment of City issued debt obligations that are loaned by the City to FURA per the terms of an intergovernmental agreement (IGA) between the parties. The source of repayment are payments from FURA.
- *FURA Debt Service Fund.* This fund accounts for the repayment of debt issued to finance the urban renewal agency's projects and programs, including debt obligations to the City. The primary revenue source is property taxes.

Additionally, the City reports the following nonmajor funds within the governmental fund type:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes.

Debt service funds account for the servicing of general long-term debt. Revenue sources are property taxes levied for general obligation bonds and other general governmental revenues.

The City reports the following major proprietary funds:

- *Water Operations.* This program reports activity from the following budgeted funds:

Water Fund. This fund accounts for the financial activities of the city-owned water utility operations. Sales of water and related charges are the major revenue sources.

Water Systems Development Fund. This fund accounts for monies accumulated from water systems development charges for facility expansion or improvement. The use of these funds is restricted by State statute and City ordinance.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of Significant Accounting Policies, Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

- *Wastewater Operations.* This program reports activity from the following budgeted funds:
 - Wastewater Fund.* This fund accounts for the financial activities of the city-owned sewer service. Wastewater charges are the major revenue sources.
 - Water Systems Development Fund.* This fund accounts for monies accumulated from wastewater systems development charges for facility expansion or improvement. The use of these funds is restricted by State statute and City ordinance.
- *Events Center Fund.* This fund is used to account for the activities of the Florence Events Center. Expenditures are for the operation of the Events Center facility including personnel, show booking costs, facility operating and maintenance costs, licensing, and equipment expenditures. The primary sources of revenue are facility and equipment rental fees, ticket fees, commissions, and show revenue.

Additionally, the City reports the following funds as nonmajor enterprise funds:

- *Stormwater Operations.* This program reports activity from the following budgeted funds:
 - Stormwater Operations Fund.* This fund accounts for the financial activities of the city-owned storm drainage system. Revenues consist primarily of stormwater charges.
 - Stormwater Systems Development Fund.* This fund accounts for monies accumulated from storm drainage systems development charges for facility expansion or improvement. The use of these funds is restricted by State statute and City ordinance.
- *Airport Fund.* This fund accounts for all activities of the City's municipal airport. Expenditures include facility and grounds maintenance, aviation fuel, and capital investment. Primary revenue sources are fuel sales, ground leases, land sales, and intergovernmental grants.

The City also reports an *internal service fund* to account for the service the Public Works Administration Fund provides to other funds of the City. The internal service fund primarily operates for the benefit of the enterprise funds and is reported with Business-type Activities on the statement of activities.

The agency fund is used for tracking of activities for the Municipal Court agency fund. The assets are held in trust for individuals, private organizations, or other organizations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The City allocates charges as reimbursement for services provided by the general fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

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 of the enterprise funds are charges to customers for sales and services. Significant operating expenses include personnel, contracted services, repairs and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Investments

For the purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

2. Receivables and Payables

Service and property taxes receivables that meet the measurable and available criteria for revenue recognition are accrued as revenue in the governmental funds financial statements. Receivables in the government-wide and proprietary fund financial statements are accrued as revenue when earned. In governmental funds, any revenues not meeting the revenue recognition criteria are offset by unavailable revenue accounts.

Special assessments receivable in the governmental funds and proprietary funds are recognized at the time the property owners are assessed for property improvements. In governmental funds special assessments receivable are offset by unavailable revenue accounts and, accordingly, have not been recognized as revenue.

Property taxes are levied and become a lien on July 1st. Property taxes are assessed in October and tax payments are due November 15th of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15th of the same year, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the due date.

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

Amounts related to the intergovernmental agreement between the City and FURA are reported as interfund note receivable/payable.

In the government-wide financial statements any residual balances outstanding between the governmental and business-type activities are reported as "internal balances."

3. Inventories and Prepaid Items

Inventories of materials and supplies in the proprietary funds are stated at cost, on a first-in, first-out basis, and charged to expense as used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at acquisition value. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. 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. No interest costs were capitalized during the year ended June 30, 2018.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40 |
| Improvements | 25 |
| Infrastructure | 25 - 40 |
| Vehicles | 5 |
| Furniture & Equipment | 5 |

Depreciation is recorded in the year the assets are acquired or retired from the date of acquisition or to the date of disposition. Gains and losses from sales or retirements of capital assets are included in operations of the current period.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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. The government-wide statements and the enterprise funds report deferred outflows of resources related to pensions and other post employment benefits (OPEB).

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, deferred inflows of resources, 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. The City reports two types of deferred inflows. Unavailable revenues, which arises only under a modified accrual basis of accounting, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, assessments and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statements and the enterprise funds report deferred inflows of resources related to pensions and OPEB.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued

5. *Deferred Outflows/Inflows of Resources, Continued*

Detailed descriptions of deferred outflows and inflows of resources related to pensions and OPEB and how they are calculated can be found in notes III.F. and III.G., respectively.

6. *Compensated Absences*

Compensated absences, such as vacation and comp time pay is accrued as it is earned. For governmental funds, compensated absences is maintained separately and represents a reconciling item between the fund level and government-wide presentations. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Funds used to liquidate accrued compensated absences include the general fund, street fund, water fund, wastewater fund, event center fund, stormwater fund, and public works administration fund.

7. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the year the debt is issued.

8. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

9. *Net Position Flow Assumptions*

Sometimes the City will fund outlays for a particular resource from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued

10. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Includes items committed by the City Council, by formal council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned - Includes items assigned for specific uses, authorized by the City. Assignments of fund balance can be done at any time, including after the fiscal year end date.

Unassigned - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

12. Use of Estimates

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

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note II - Stewardship, Compliance, and Accountability

A. Budgetary Information

The City implemented biannual budgeting effective July 1, 2017 for the biennium ending June 30, 2019. Appropriations are for the biannual period. Appropriations reported in the supplemental budget schedules report the amount for the biennial period. Appropriations lapse at the end of the biennial period.

A budget is prepared in the early winter preceding the fiscal year the budget will be used. The City is required to budget for all funds. The budget committee, with public input, deliberates and approves the budget for transmittal to the City Council in early spring. After public notices and a hearing, the final budget is adopted, appropriations made, and a tax levy declared no later than June 30.

The City Council resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriation. Appropriations lapse as of year-end.

Expenditures cannot legally exceed appropriations except in the case of grants which could not be estimated at the time of budget adoption. Supplemental appropriations and appropriation transfers may occur with notice and City Council action.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations as follows:

| Fund | Appropriation Category | Amount |
|--------------------|-------------------------------|---------------|
| Public Works Admin | Capital outlay | \$ 103,301 |

Note III - Detailed Notes On All Funds

A. Deposits and Investments

The City maintains a cash and investment pool for its cash and cash equivalents in which each fund participates. Cash and investments comprise the following as of June 30, 2018:

| | |
|-----------------------------|---------------------|
| Cash on hand | \$ 1,500 |
| Cash in bank | 326,574 |
| LGIP | 9,150,204 |
| Oregon Community Foundation | 78,549 |
| Total | <u>\$ 9,556,827</u> |

Cash and investments are reported as follows:

| | |
|--------------------------|---------------------|
| Governmental activities | \$ 5,625,833 |
| Business-type activities | 3,880,610 |
| Agency funds | 50,384 |
| Total | <u>\$ 9,556,827</u> |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

A. Deposits and Investments, Continued

Deposits. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program ("PFCP") of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at least 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 State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

State statutes authorize the City of Florence to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment choices.

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

The Oregon Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to any municipality, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any public funds. The Office of the State Treasurer (OST) manages the LGIP. The LGIP is commingled with other State funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund; therefore, the preservation of principal is not assured. Additional information about the OSTF can be obtained at www.ost.state.or.us and www.oregon.gov/treasury.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2018, the City's deposits were covered and collateralized by federal depository insurance and the PFCP.

B. Allowance for doubtful accounts

Uncollected taxes and assessments are deemed to be substantially collectible or recoverable through liens. Therefore, no allowance for uncollectible accounts has been established.

Accounts receivable for business-type activities are reported net of an allowance of doubtful accounts as follows as of June 30, 2018:

| | | |
|---------------------------------------|----|----------------------|
| Water operations | \$ | 26,123 |
| Wastewater operations | | 34,417 |
| Stormwater operations | | <u>6,402</u> |
| Total allowance for doubtful accounts | \$ | <u><u>66,942</u></u> |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

C. Capital Assets

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Adjustments</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 970,282 | \$ 1,060,748 | \$ - | \$ - | \$ 2,031,030 |
| Construction in progress | <u>3,699,401</u> | <u>1,931,264</u> | <u>-</u> | <u>(3,177,806)</u> | <u>2,452,859</u> |
| Total capital assets, not being depreciated | <u>4,669,683</u> | <u>2,992,012</u> | <u>-</u> | <u>(3,177,806)</u> | <u>4,483,889</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 8,704,715 | 226,049 | - | 10,560 | 8,941,324 |
| Equipment and vehicles | 2,677,605 | 203,840 | - | - | 2,881,445 |
| Infrastructure | <u>11,637,388</u> | <u>260,889</u> | <u>-</u> | <u>3,167,246</u> | <u>15,065,523</u> |
| Total capital assets, being depreciated | <u>23,019,708</u> | <u>690,778</u> | <u>-</u> | <u>3,177,806</u> | <u>26,888,292</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (3,707,078) | (250,984) | - | - | (3,958,062) |
| Equipment and vehicles | (2,014,297) | (220,565) | - | - | (2,234,862) |
| Infrastructure | <u>(5,962,544)</u> | <u>(595,766)</u> | <u>-</u> | <u>-</u> | <u>(6,558,310)</u> |
| Total accumulated depreciation | <u>(11,683,919)</u> | <u>(1,067,315)</u> | <u>-</u> | <u>-</u> | <u>(12,751,234)</u> |
| Total capital assets, being depreciated, net | <u>11,335,789</u> | <u>(376,537)</u> | <u>-</u> | <u>3,177,806</u> | <u>14,137,058</u> |
| Governmental activities capital assets, net | <u>\$ 16,005,472</u> | <u>\$ 2,615,475</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,620,947</u> |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

C. Capital Assets, Continued

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Adjustments</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|--------------------|---------------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,868,428 | \$ - | \$ - | \$ - | \$ 1,868,428 |
| Construction in progress | <u>4,182,535</u> | <u>1,961,899</u> | <u>-</u> | <u>(3,348,609)</u> | <u>2,795,825</u> |
| Total capital assets, not being depreciated | <u>6,050,963</u> | <u>1,961,899</u> | <u>-</u> | <u>(3,348,609)</u> | <u>4,664,253</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 27,797,419 | 2,320,336 | - | 1,637,676 | 31,755,431 |
| Utility systems | 12,921,316 | 19,745 | - | 585,748 | 13,526,809 |
| Equipment and vehicles | 3,720,844 | 389,568 | - | 33,640 | 4,144,052 |
| Infrastructure | <u>8,322,398</u> | <u>296,698</u> | <u>-</u> | <u>1,091,545</u> | <u>9,710,641</u> |
| Total capital assets, being depreciated | <u>52,761,977</u> | <u>3,026,347</u> | <u>-</u> | <u>3,348,609</u> | <u>59,136,933</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (14,268,864) | (847,662) | - | - | (15,116,526) |
| Utility systems | (8,040,852) | (304,208) | - | - | (8,345,060) |
| Equipment and vehicles | (2,551,517) | (251,143) | - | - | (2,802,660) |
| Infrastructure | <u>(1,246,163)</u> | <u>(367,408)</u> | <u>-</u> | <u>-</u> | <u>(1,613,571)</u> |
| Total accumulated depreciation | <u>(26,107,396)</u> | <u>(1,770,421)</u> | <u>-</u> | <u>-</u> | <u>(27,877,817)</u> |
| Total capital assets, being depreciated, net | <u>26,654,581</u> | <u>1,255,926</u> | <u>-</u> | <u>3,348,609</u> | <u>31,259,116</u> |
| Business-type activities capital assets, net | <u>\$ 32,705,544</u> | <u>\$ 3,217,825</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,923,369</u> |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

C. Capital Assets, Continued

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

| | |
|---|---------------------|
| Governmental activities: | |
| Administration | \$ 109,423 |
| Community development | 29,788 |
| Public safety | 198,647 |
| Public works | 726,299 |
| Non-departmental | <u>3,158</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,067,315</u> |
| Business-type activities: | |
| Water operations | \$ 570,648 |
| Wastewater operations | 862,691 |
| Stormwater operations | 75,335 |
| Airport | 81,197 |
| Events Center | 146,279 |
| Public works admin | <u>34,271</u> |
| Total depreciation expense - business-type activities | <u>\$ 1,770,421</u> |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

D. Interfund Receivables, Payables, and Transfers

At June 30, 2018 the City's Airport Fund owed the City's General Fund \$50,300 to pay for expenditures pending receipt of reimbursable grant expenditures.

Interfund Transfers

The interfund transfer activity for the year ended June 30, 2018 was as follows:

| | Transfers In: | | | | Totals |
|-----------------------------|--------------------|-----------------------------|------------------|-------------------------|--------------------|
| | General Fund | Nonmajor Governmental Funds | Events Center | Public Works Admin Fund | |
| Transfers Out: | | | | | |
| General Fund | \$ - | \$ 535,500 | \$ 65,000 | \$ 49,900 | \$ 650,400 |
| Streets Program | 117,900 | - | - | 195,200 | 313,100 |
| Nonmajor Governmental Funds | 130,700 | - | 232,500 | - | 363,200 |
| Water Operations | 312,200 | - | - | 342,800 | 655,000 |
| Wastewater Operations | 322,000 | - | - | 350,600 | 672,600 |
| Stormwater Operations | 79,000 | - | - | 63,500 | 142,500 |
| Airport | 12,000 | - | - | 14,700 | 26,700 |
| Events Center | 56,200 | - | - | - | 56,200 |
| Totals | <u>\$1,030,000</u> | <u>\$ 535,500</u> | <u>\$297,500</u> | <u>\$1,016,700</u> | <u>\$2,879,700</u> |

Transfers are budgeted for, and made, to reimburse the General Fund and the Public Works Administrative Fund for administrative charges. In addition, transfers are budgeted and made to move financial resources from the Transient Room Tax Fund and the Events Center Fund to fund operations.

Interfund Note Payable Transfer

The transfer from the FURA Debt Service Fund to the FURA General Fund, in the amount of \$1,100,012, is an accounting adjustment to move the Interfund Note Payable from the fund that received the cash (the FURA General Fund) to the fund that will pay back the advance (the FURA Debt Service Fund).

Interfund Note Receivable/Payable

The City entered into an intergovernmental agreement with the Florence Urban Renewal Agency (FURA) to facilitate the use of the City's credit to fund FURA's urban renewal plan projects and programs with more favorable terms and conditions. The IGA provides for an initial \$3.7 million loan to FURA, with repayment of principal and interest consistent with the terms and conditions of the City's loan with Banner Bank. Additionally, FURA must levy sufficient taxes to ensure a minimum 1.25 debt coverage ratio. FURA used the initial loan to refinance \$1.6 million of existing debt and \$2.1 million for new projects and programs described in the Florence Urban Renewal Plan. The City and FURA anticipate additional debt obligations will be utilized as FURA's property tax revenue and debt capacity increases to facilitate the goals and objectives of the urban renewal plan.

The City established the City FURA Debt Service Fund to account for the activities associated with the City's use of its credit for the benefit of the City's urban renewal agency. At June 30, 2018, FURA owed the City \$3,987,440, \$3,487,440 for a bank loan and \$500,000 for an interim loan from the City's General Fund, pending the issuance of additional debt authorized in the 2017-2019 biennial budget.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds payable | \$ 2,911,106 | \$ - | \$ (263,874) | \$ 2,647,232 | \$ 268,751 |
| Notes payable | <u>5,009,126</u> | <u>3,395,000</u> | <u>(437,289)</u> | <u>7,966,837</u> | <u>433,941</u> |
| Total long-term debt | 7,920,232 | 3,395,000 | (701,163) | 10,614,069 | 702,692 |
| Compensated absences | <u>250,133</u> | <u>269,369</u> | <u>(250,133)</u> | <u>269,369</u> | <u>269,369</u> |
| Governmental activities long-term liabilities | <u>\$ 8,170,365</u> | <u>\$ 3,664,369</u> | <u>\$ (951,296)</u> | <u>\$ 10,883,438</u> | <u>\$ 972,061</u> |
| Business-Type Activities: | | | | | |
| Bonds payable | \$ 4,200,741 | \$ - | \$ (796,326) | \$ 3,404,415 | \$ 819,120 |
| Notes payable | <u>9,207,547</u> | <u>-</u> | <u>(505,019)</u> | <u>8,702,528</u> | <u>485,650</u> |
| Total long-term debt | 13,408,288 | - | (1,301,345) | 12,106,943 | 1,304,770 |
| Compensated absences | <u>97,092</u> | <u>114,069</u> | <u>(97,092)</u> | <u>114,069</u> | <u>114,069</u> |
| Business-type activities long-term liabilities | <u>\$ 13,505,380</u> | <u>\$ 114,069</u> | <u>\$ (1,398,437)</u> | <u>\$ 12,221,012</u> | <u>\$ 1,418,839</u> |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities, Continued

Bonds outstanding at June 30, 2018 were as follows:

| <u>Purpose</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> |
|---|------------------------------------|--------------------------------------|
| During 2010, the City issued \$8,750,000 of full faith and credit refunding obligations debt with \$8,310,000 at 3.064% and \$440,000 at 3.75%. This bond was used to fund projects for enterprise funds as well as governmental funds. \$600,000 was used by governmental funds and \$8,150,000 was used by enterprise funds. Bond principal and interest is payable semiannually through December 2030. The unamortized premium included in the balance of this bond is \$114,301. | \$ 431,340 | \$ 2,902,961 |
| During 2010, the City issued \$1,478,000 of limited tax improvement bonds at 3.81% for the Spruce St LID. Semiannual payments are made from assessments on the property benefiting from the improvements. Bond principal and interest is payable semiannually through December 2030. | 1,150,000 | - |
| During 2011, the City issued \$1,245,000 of full faith and credit refunding obligations debt at 4.14% for the Local Oregon Capital Assets Program (LOCAP). This bond was used to fund projects for enterprise funds as well as governmental funds. The governmental portion was \$558,980 and the enterprise funds portion was \$686,020. Bond principal and interest is payable semiannually through June 2031. The unamortized premium included in the balance of this bond is \$5,968. | 409,514 | 501,454 |
| During 2013, the City issued \$1,460,000 of Water GO bonds for refunding of existing General Obligation Water Bonds for water system improvements. The bond pays interest of 2.11%. The bond matures in June 2022. Loan principal and interest is payable semiannually through June 2022. | <u>656,378</u> | <u>-</u> |
| Total bonds outstanding | 2,647,232 | 3,404,415 |
| Less current portion | <u>(268,751)</u> | <u>(819,120)</u> |
| Long-term portion | <u>\$ 2,378,481</u> | <u>\$ 2,585,295</u> |

Notes payable outstanding at June 30, 2018 were as follows:

| <u>Purpose</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> |
|--|------------------------------------|--------------------------------------|
| On March 21, 2018, the City received proceeds in the amount of \$3,395,000 from Banner Bank to finance improvements to City Hall and the Justice Center and the purchase of land. Loan principal and interest is payable semiannually at 4.375% through December 2037. | \$ 3,300,749 | \$ - |
| On May 23 2014, the City received proceeds in the amount of \$400,000 from Oregon Pacific Bank to finance the street, water, and wastewater projects. The government and business-type portions were \$250,000 and \$150,000, respectively. Loan principal and interest is payable semiannually at 2.75% through May 2019. | 51,474 | 32,802 |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities, Continued

| Purpose | Governmental Activities | Business- Type Activities |
|---|--|---|
| <p>During 2018, the City termed out its tax-exempt non-revolving line of credit with Banner Bank. Annual principal and interest payments are required on June 1 and December 1. The interest rate for the line of credit is 2.92% through December 15, 2026, at which point the interest rate becomes variable, with a maximum rate of 5.25% through December 15, 2031, when the maximum rate increases to 7.25%. The minimum interest rate for years eleven through twenty is 2.75%. The note payable has a scheduled maturity of December 1, 2026 for the outstanding balance allocated to the Street Project and December 1, 2036 for the remaining balances. The projects funded and their balances at June 30, 2018 were as follows:</p> <p><i>Street Project.</i> Financing of improvements to the City's streets and related issuance costs in the original amount of \$1,300,000. This portion of the note matures on December 1, 2026.</p> <p><i>Agency Project.</i> \$3,700,000 was allocated to finance and refinance the projects of the Florence Urban Renewal Agency. This portion of the note matures on December 1, 2036.</p> <p><i>Water Project.</i> Financing of improvements to the City's water system and related issuance costs in the original amount of \$1,500,000. This portion of the note matures on December 1, 2036.</p> <p><i>Facility Project.</i> Financing of the City's public works facility and related issuance costs in the original amount of \$3,300,000. This portion of the note matures on December 1, 2036.</p> <p>On August 31, 2010, the City entered into a loan agreement with the Oregon Business Development Department to receive a loan in the amount of \$657,057 to permanently finance the Florence Wastewater Transmission Line & Intersection Improvements. Loan interest rate is variable between 2% and 4%. Loan principal and interest is payable annually through December 2034. The unamortized premium included in the balance of this bond is \$6,800.</p> <p>On February 12, 2010, the City entered into an agreement with the State of Oregon Department of Environmental Quality for a loan in the amount of \$4,923,260 to finance rehabilitation to a major wastewater trunk sewer. Loan principal payments commenced upon completion of the project (June 24, 2013). The loan has a twenty year maturity (June 1, 2033) with loan fees of 0.5% of the outstanding balance payable annually.</p> | <p>1,127,174</p> <p>3,487,440</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> | <p>-</p> <p>-</p> <p>1,413,827</p> <p>3,110,420</p> <p>519,147</p> <p>3,626,332</p> |
| Total notes outstanding | 7,966,837 | 8,702,528 |
| Less current portion | (433,941) | (485,650) |
| Long-term portion | \$ 7,532,896 | \$ 8,216,878 |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities, Continued

Annual debt service requirements to maturity for long-term debt at June 30, 2018 are as follows:

| Year Ending June 30, | Governmental Activities | | Business-Type Activities | |
|----------------------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 702,692 | \$ 329,538 | \$ 1,304,770 | \$ 286,334 |
| 2020 | 668,690 | 310,061 | 1,302,037 | 254,159 |
| 2021 | 689,589 | 295,925 | 1,326,006 | 211,992 |
| 2022 | 710,010 | 281,452 | 542,103 | 180,720 |
| 2023 | 568,714 | 260,027 | 554,062 | 169,811 |
| 2024 - 2028 | 2,917,778 | 1,072,172 | 2,895,825 | 763,198 |
| 2029 - 2033 | 2,502,060 | 721,756 | 2,960,166 | 613,281 |
| 2034 - 2038 | 1,854,536 | 222,754 | 1,221,974 | 179,011 |
| Total | <u>\$ 10,614,069</u> | <u>\$ 3,493,685</u> | <u>\$ 12,106,943</u> | <u>\$ 2,658,506</u> |

F. Pension Plans

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Risk Pooling

The City has elected to participate in the State and Local Government Rate Pool (SLGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Pool participants share pension assets and future pension liabilities and surpluses. Employers in the pool jointly fund the future pension costs of all of the pooled participants.

Benefits Provided

1. *Tier One/Tier Two Retirement Benefit (ORS Chapter 238)*

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, 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 benefit results.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

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 One 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 Two 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.

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 one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

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.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. All monthly pension and annuity benefits except unit purchases are eligible for post-retirement adjustments. As a result of the Senate Bills 822 and 861 and the Oregon Supreme Court decision in *Moro v. State of Oregon*, automatic post-retirement adjustments are based on a blended COLA rate.

The Supreme Court decision in *Moro* requires that members "will be entitled to receive during retirement a blended COLA rate that reflects the different COLA provision applicable to benefits earned at different times." The Supreme Court did not articulate a specific methodology for determining the blended COLA. For purposes of this valuation, PERS has determined the blend based on creditable service earned before and after October 2013. This approach is consistent with OAR 459-005-0510 adopted by the PERS Board in September 2015.

Automatic COLA for benefits earned prior to SB 822 and SB 861

Benefits are adjusted annually to reflect the increase or decrease in the Consumer Price Index (Portland area - all items) as published by the Bureau of Labor Statistics. The maximum adjustment to be made for any year is 2 percent of the previous year's benefit, except for 2013 when the adjustment is limited to 1.5%. Any CPI change in excess of the limit is accumulated for future benefit adjustments that would otherwise be less than the limit. No benefit will be decreased below its original amount.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

Automatic adjustments for benefits earned post 2013

In 2014 and future years benefits will be increased annually based on a marginal rate schedule. The increase is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

2. *OPSRP Pension Program (OPSRP DB)*

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. 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.

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 OPSRP 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.

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.

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.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This 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, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were \$331,774 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 14.98 percent for Tier One/Tier Two General Service Member, 14.98 percent for Tier One/Tier Two Police and Fire, 5.93 percent for OPSRP Pension Program General Services, 10.70 percent for OPSRP Police and Fire members and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2018 the City reported a liability of \$3,684,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.02733098 percent, which was a changed from its proportion measured as of June 30, 2016 of 0.02535152 percent.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

For the year ended June 30, 2018 the City recognized pension expense of \$794,297. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 178,171 | \$ - |
| Change in assumptions | 671,569 | - |
| Net difference between projected and actual earnings on pension plan investments | 37,956 | - |
| Changes in proportionate share | 167,001 | 80,671 |
| Differences between City contributions and proportionate share of contributions | <u>2,017</u> | <u>119,101</u> |
| Subtotal before post-measurement date contributions | 1,056,714 | 199,772 |
| City contributions subsequent to the measurement date | <u>299,220</u> | - |
| Total | <u>\$ 1,355,934</u> | <u>\$ 199,772</u> |

Deferred outflows of resources related to pensions of \$299,220 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2018. Net deferred outflows (inflows) of resources of \$856,942 will be recognized in pension expense as follows:

| Year Ended June 30, | | |
|------------------------|----|----------------|
| 2019 | \$ | 160,430 |
| 2020 | | 458,784 |
| 2021 | | 306,501 |
| 2022 | | (79,146) |
| 2023 | | <u>10,373</u> |
| Total | \$ | <u>856,942</u> |

Actuarial Assumptions

The employer contribution rates effective July 1, 2017 through June 30, 2019 were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-----------------------------------|---|
| Valuation Date | December 31, 2015 |
| Measurement Date | June 30, 2017 |
| Experience Study Report | 2014, published September 2015 |
| Actuarial Cost Method | Entry Age normal |
| Actuarial Assumptions: | |
| Inflation Rate | 2.50 percent |
| Long-Term Expected Rate of Return | 7.50 percent |
| Discount Rate | 7.50 percent |
| Project Salary Increases | 3.50 percent overall payroll growth |
| Cost of Living Adjustments (COLA) | Blend of 2.00% COLA and Grade COLA |
| Mortality | Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs 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, 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 the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

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. 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. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

http://www.oregon.gov/pers/docs/financial_reports/2016_cafr.pdf

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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 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.

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 (asset) calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability (asset) 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%) |
|--|------------------------|--------------------------|------------------------|
| Proportionate Share of Net Pension Liability (Asset) | \$ 6,278,595 | \$ 3,684,226 | \$ 1,514,854 |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Assumptions and Other Inputs

Changes in actuarial methods and assumptions implemented since the December 31, 2013 valuation are described in the 2014 Experience Study (Study), published September 2015.

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions, modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found in the Study at:

<http://www.oregon.gov/PERS/Documents/Financials/Actuary/2015/Experience-Study.pdf>.

Changes in Plan Provisions Subsequent to Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed earning rate from 7.5% to 7.2%.

G. Other Postemployment Benefits (OPEB)

Plan Description

The City provides an implicit rate subsidy for retiree health insurance premiums. The City's single-employer defined benefit postemployment healthcare plan is administered by City County Insurance Services. Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries receiving benefits | 5 |
| Active employees | <u>55</u> |
| Total | <u><u>60</u></u> |

Financial Statement Presentation

The amounts on the financial statements relate to the plans as follows:

| | |
|--------------------------------------|-----------|
| Deferred outflow of resources: | |
| Contributions after measurement date | \$ 30,002 |
| Net OPEB liability | 280,332 |
| Deferred inflow of resources: | |
| Change in assumptions | 11,713 |

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

G. Other Postemployment Benefits (OPEB), Continued

Deferred outflows of resources related to OPEB of \$30,002 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | |
|---------------------|------------------|
| 2019 | \$ 1,627 |
| 2020 | 1,627 |
| 2021 | 1,627 |
| 2022 | 1,627 |
| 2023 | 1,627 |
| Thereafter | <u>3,578</u> |
| | <u>\$ 11,713</u> |

Total OPEB Liability and OPEB Expense

The City's total OPEB liability of \$280,332 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$25,617.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------|--|
| Actuarial cost method | Entry age normal |
| Inflation | 2.5 percent |
| Annual pay increases | 3.5 percent |
| Mortality | 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. |
| Discount rate | 3.58 percent (change from 2.58 percent in previous measurement period) |
| Health Care Cost Trend | 7 percent per year decreasing to 5.25 percent |

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed Notes On All Funds, Continued

G. Other Postemployment Benefits (OPEB), Continued

Changes in the Total OPEB Liability

| | |
|---|-------------------|
| Balance as of June 30, 2017 | \$ 298,324 |
| Changes for the year | |
| Service cost | 18,661 |
| Interest on total OPEB liability | 8,583 |
| Effect of assumptions changes or inputs | (13,340) |
| Benefit payments | <u>(31,896)</u> |
| Balance as of June 30, 2018 | <u>\$ 280,332</u> |

Changes in assumptions is the result of the change in the discount rate from 2.85 to 3.58.

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

| | <u>1% Decrease</u> | <u>Current Discount/Trend Rate</u> | <u>1 % Increase</u> |
|--|--------------------|--|---------------------|
| Discount Rate - Total OPEB Liability | 297,751 | 280,332 | 264,287 |
| Healthcare Trend Rate - Total OPEB Liability | 260,074 | 280,332 | 304,029 |

Note IV - Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services ("CCIS"), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CCIS for insurance coverage. Based on the experience of the City and CCIS, the City may be liable for an additional premium of up to 20% of its initial premium or it may receive a refund. The City has not had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2018

Note IV - Other Information, Continued

B. Commitments and Contingencies

The City and Oregon Department of Transportation have jointly entered into an agreement with a contractor for a Multimodal Transportation Enhance Program. The City's commitment for this program is \$2.4 million.

In addition, as part of the City's Revision Florence project, the City has contracted with an engineering firm. The City's estimated remaining obligations under the contract at June 30, 2018 is \$300 thousand.

The City has an ongoing contract for the remodel of City Hall. At June 30, 2018 the estimated remaining amount of the contract is \$1.6 million.

The City has a line of credit with Oregon Pacific Bank in the amount of \$2.6 million. This line matures in May of 2019. The City has not drawn on the line of credit as of June 30, 2018.

Under terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The City believes disallowances, if any, will be immaterial.

C. Contingent Liabilities

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations and capital projects. Management intends to contest these matters and does not believe their ultimate resolution will have a material effect upon the City's financial position, results of operations, or cash flows.

D. Prior Period Restatement and Change in Accounting Principle

At June 30, 2017, deferred outflows of resources related to pensions, net pension liability and deferred inflows of resources related to pensions were misstated. The City reported the amounts measured as of June 30, 2017 combined with the FY 2017 actual contributions instead of using the amounts measured as of June 30, 2016 combined with the FY 2017 actual contributions.

In implementing GASB Statement No. 75, the City has restated beginning net position in order to recognize Total OPEB Liability for the City's Implicit Rate Subsidy plan. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions made after the June 30, 2017 measurement date.

The City restated beginning net position as follows:

| Opinion Unit | Beginning Net Position | Adjust pension related items to June 30, 2016 measurement date | Record OPEB related items in accordance with GASB 75 | Restated Net Position |
|--------------------------|---------------------------|---|---|--------------------------|
| Governmental Activities | \$ 12,694,565 | \$ 428,188 | \$ (200,362) | \$ 12,922,391 |
| Business-type Activities | 25,453,726 | 150,301 | (97,962) | 25,506,065 |
| Water | 8,371,668 | 16,484 | (19,968) | 8,368,184 |
| Wastewater | 9,495,284 | (20,648) | (18,355) | 9,456,281 |
| Stormwater | 2,434,695 | 3,123 | (6,574) | 2,431,244 |
| Events Center | 2,321,571 | 56,517 | (25,919) | 2,352,169 |
| Public Works Admin | 116,422 | 94,825 | (27,146) | 184,101 |

E. Subsequent Event

In February 2019, the City issued a request for proposals for a Full Faith and Credit Financing Agreement in the amount of \$3.3 million. The proposal closing date was March 7, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORENCE

Oregon Public Employees Retirement System

June 30, 2018

Schedule of the Proportionate Share of the Net Pension Liability

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability (asset) | 0.02733098 % | 0.02535152 % | 0.02730409 % | 0.02378761 % | 0.23787610 % |
| Proportionate share of the net pension liability (asset) | \$ 3,684,226 | \$ 3,805,852 | \$ 1,567,653 | \$ (539,197) | \$ 1,213,917 |
| Covered payroll | \$ 3,257,585 | \$ 3,354,642 | \$ 3,238,206 | \$ 3,154,516 | \$ 3,015,337 |
| Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll | 113.10 % | 113.45 % | 48.41 % | (17.09)% | 40.26 % |
| Plan net position as a percentage of the total pension liability | 83.1 % | 80.5 % | 91.9 % | 103.6 % | 92.0 % |

Schedule of Pension Contributions

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 331,774 | \$ 227,630 | \$ 239,728 | \$ 228,397 | \$ 251,436 |
| Contributions in relation to the contractually required contribution | <u>331,774</u> | <u>227,630</u> | <u>239,728</u> | <u>228,397</u> | <u>251,436</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 3,669,227 | \$ 3,257,585 | \$ 3,354,642 | \$ 3,238,206 | \$ 3,154,516 |
| Contributions as a percentage of covered employee payroll | 9.04 % | 6.99 % | 7.15 % | 7.05 % | 7.97 % |

Notes to Required Supplementary Information

Note I - Measurement Period

Amounts presented are for the measurement period reported during the fiscal year, which for FY 2018 is July 1, 2016 - June 30, 2017.

Note II - Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the year ending June 30, 2015.

Note III - Changes in Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/mercerc_reports.aspx

CITY OF FLORENCE

Schedule of Changes in Total OPEB Liability and Related Ratios

June 30, 2018

| | <u>2018</u> |
|---|------------------|
| Balance at beginning of year | \$ 298,324 |
| Service costs | 18,661 |
| Interest on total OPEB liability | 8,583 |
| Effect of assumptions changes or inputs | (13,340) |
| Benefit payments | <u>(31,896)</u> |
| Balance at end of year | 280,332 |
| | |
| Covered payroll | <u>3,257,585</u> |
| | |
| Total OPEB liability as a percentage of covered payroll | <u>8.61 %</u> |

Notes to Required Supplementary Information

Note I - Measurement Period

Amounts presented are for the measurement period reported during the fiscal year, which for FY 2018 is July 1, 2016 - June 30, 2017.

CITY OF FLORENCE, OREGON
GENERAL FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | First Year Actual | Variance |
|--|------------------------|--------------------|----------------------|---------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Taxes | \$ 5,084,300 | \$ 5,084,300 | \$ 2,501,550 | \$ (2,582,750) |
| Franchise fees | 1,627,000 | 1,627,000 | 969,341 | (657,659) |
| Licenses and permits | 561,400 | 561,400 | 281,348 | (280,052) |
| Intergovernmental | 939,500 | 939,500 | 459,348 | (480,152) |
| Charges for services | 1,036,200 | 1,036,200 | 560,363 | (475,837) |
| Fines and forfeitures | 440,000 | 440,000 | 230,361 | (209,639) |
| Earnings and contributions | 91,000 | 91,000 | 69,662 | (21,338) |
| Total revenues | <u>9,779,400</u> | <u>9,779,400</u> | <u>5,071,973</u> | <u>(4,707,427)</u> |
| Expenditures: | | | | |
| Police | 4,421,300 | 4,421,300 | 2,152,243 | 2,269,057 |
| Community development | 1,599,300 | 1,599,300 | 740,316 | 858,984 |
| Parks | 331,500 | 331,500 | 127,986 | 203,514 |
| Municipal court | 564,900 | 564,900 | 248,396 | 316,504 |
| Administrative | 2,763,600 | 2,763,600 | 1,347,921 | 1,415,679 |
| City hall | 182,800 | 182,800 | 105,684 | 77,116 |
| Non-departmental | 262,000 | 262,000 | 140,891 | 121,109 |
| Capital outlay | 3,027,900 | 4,319,000 | 1,697,289 | 2,621,711 |
| Debt service | 298,200 | 244,200 | 174,817 | 69,383 |
| Contingency | 1,266,629 | 29,529 | - | 29,529 |
| Total expenditures | <u>14,718,129</u> | <u>14,718,129</u> | <u>6,735,543</u> | <u>7,982,586</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,938,729)</u> | <u>(4,938,729)</u> | <u>(1,663,570)</u> | <u>3,275,159</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 2,353,800 | 2,353,800 | 1,030,000 | (1,323,800) |
| Transfers out/Note issued to FURA | (1,302,900) | (1,302,900) | (1,150,400) | 152,500 |
| Loan proceeds | <u>2,200,000</u> | <u>2,200,000</u> | <u>3,395,000</u> | <u>1,195,000</u> |
| Total other financing sources (uses) | <u>3,250,900</u> | <u>3,250,900</u> | <u>3,274,600</u> | <u>23,700</u> |
| Net change in fund balance | (1,687,829) | (1,687,829) | 1,611,030 | 3,298,859 |
| Fund Balance: | | | | |
| Beginning of year | <u>1,687,829</u> | <u>1,687,829</u> | <u>1,854,115</u> | <u>166,286</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>3,465,145</u> | <u>\$ 3,465,145</u> |

Reconciliation to GAAP Basis:

GASB requires the City to report transactions with FURA as interfund transactions. For budget purposes issuances of loans to FURA are reported as other financing uses and repayments are reported as revenue. Under the modified accrual basis of accounting the issuance and repayment of loans are reported as an increase and decrease in the Interfund Note Receivable. The note receivable at year-end is a reconciling item.

| | |
|---------------------------------|---------------------------------------|
| GAAP Fund Balance - End of Year | <u>500,000</u> <u>\$ 3,965,145</u> |
|---------------------------------|---------------------------------------|

CITY OF FLORENCE, OREGON

STREET FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

| | Biennium Budget | | First Year Actual | Variance |
|--|--------------------|--------------|----------------------|-------------|
| | Original Budget | Final Budget | | |
| | Revenues: | | | |
| Franchise fees | \$ 141,100 | \$ 141,100 | \$ 59,350 | \$ (81,750) |
| Intergovernmental | 1,797,100 | 1,797,100 | 597,035 | (1,200,065) |
| Charges for services | 902,200 | 902,200 | 381,239 | (520,961) |
| Earnings and contributions | 7,100 | 7,100 | 9,684 | 2,584 |
| Total revenues | 2,847,500 | 2,847,500 | 1,047,308 | (1,800,192) |
| Expenditures: | | | | |
| Personal services | 143,100 | 143,100 | 69,504 | 73,596 |
| Materials and services | 563,550 | 563,550 | 261,783 | 301,767 |
| Capital outlay | 1,585,800 | 1,585,800 | 260,888 | 1,324,912 |
| Debt service | 439,500 | 439,500 | 255,903 | 183,597 |
| Contingency | 373,442 | 373,442 | - | 373,442 |
| Total expenditures | 3,105,392 | 3,105,392 | 848,078 | 2,257,314 |
| Excess (deficiency) of revenues over (under) expenditures | (257,892) | (257,892) | 199,230 | 457,122 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 228,000 | 228,000 | 228,000 | - |
| Transfers out | (662,000) | (662,000) | (313,100) | 348,900 |
| Loan proceeds | 500,000 | 500,000 | - | (500,000) |
| Total other financing sources (uses) | 66,000 | 66,000 | (85,100) | (151,100) |
| Net change in fund balance | (191,892) | (191,892) | 114,130 | 306,022 |
| Fund Balance: | | | | |
| Beginning of year | 191,892 | 191,892 | 142,246 | (49,646) |
| End of year | \$ - | \$ - | 256,376 | \$ 256,376 |
| Reconciliation to GAAP Basis: | | | | |
| Street System Development Fund fund balance | | | 424,805 | |
| GAAP Fund Balance - End of Year | | | \$ 681,181 | |

CITY OF FLORENCE, OREGON
STREET SYSTEM DEVELOPMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | Biennium Budget | | First Year Actual | Variance |
|--|--------------------|--------------|----------------------|-------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Earnings and contributions | \$ 132,100 | \$ 132,100 | \$ 60,433 | \$ (71,667) |
| Expenditures: | | | | |
| Materials and services | 122,400 | 122,400 | 710 | 121,690 |
| Contingency | 353,296 | 353,296 | - | 353,296 |
| Total expenditures | 475,696 | 475,696 | 710 | 474,986 |
| Excess (deficiency) of revenues over (under) expenditures | (343,596) | (343,596) | 59,723 | 403,319 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (228,000) | (228,000) | (228,000) | - |
| Net change in fund balance | (571,596) | (571,596) | (168,277) | 403,319 |
| Fund Balance: | | | | |
| Beginning of year | 571,596 | 571,596 | 593,082 | 21,486 |
| End of year | \$ - | \$ - | 424,805 | \$ 424,805 |
| Reconciliation to GAAP Basis: | | | | |
| The Street System Development Fund is budgeted as an individual fund but is combined with the Street Fund for GAAP reporting. | | | (424,805) | |
| GAAP Fund Balance - End of Year | | | \$ - | |

CITY OF FLORENCE, OREGON
FURA GENERAL FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year Actual</u> | <u>Variance</u> |
|--|----------------------------|---------------------|------------------------------|--------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 2,750,000 | \$ 2,750,000 | \$ - | \$ (2,750,000) |
| Earnings and contributions | 1,000 | 1,000 | 13,609 | 12,609 |
| Total revenues | <u>2,751,000</u> | <u>2,751,000</u> | <u>13,609</u> | <u>(2,737,391)</u> |
| Expenditures: | | | | |
| Materials and services | 430,200 | 430,200 | 208,755 | 221,445 |
| Capital outlay | 7,230,000 | 7,230,000 | 1,724,498 | 5,505,502 |
| Contingency | 156,284 | 156,284 | - | 156,284 |
| Total expenditures | <u>7,816,484</u> | <u>7,816,484</u> | <u>1,933,253</u> | <u>5,883,231</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,065,484)</u> | <u>(5,065,484)</u> | <u>(1,919,644)</u> | <u>3,145,840</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 250,000 | 250,000 | - | (250,000) |
| Loan proceeds | 3,900,000 | 3,900,000 | 1,100,012 | (2,799,988) |
| Total other financing sources (uses) | <u>4,150,000</u> | <u>4,150,000</u> | <u>1,100,012</u> | <u>(3,049,988)</u> |
| Net change in fund balance | (915,484) | (915,484) | (819,632) | 95,852 |
| Fund Balance: | | | | |
| Beginning of year | 915,484 | 915,484 | 956,776 | 41,292 |
| End of year | <u>\$ -</u> | <u>\$ -</u> | 137,144 | <u>\$ 137,144</u> |

Reconciliation to GAAP Basis:

GASB requires the City to report transactions with FURA as interfund transactions. For budget purposes issuances of loans from the City are reported as other financing sources and repayments are reported as debt service. Under the modified accrual basis of accounting the issuance and repayment of loans are reported as an increase and decrease in the Interfund Note Payable. Loan proceeds received during the year are a reconciling item.

(1,100,012)

The FURA General Fund received the proceeds from the note issued by the City. However, it is the FURA Debt Service Fund that will repay the Note Payable. For the modified accrual basis of accounting a transfer of the liability from the FURA General Fund to the FURA Debt Service Fund is recorded. This transfer is a reconciling item.

1,100,012

GAAP Fund Balance - End of Year

\$ 137,144

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

MAJOR DEBT SERVICE FUNDS

CITY OF FLORENCE, OREGON
SPRUCE STREET LID BOND FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year Actual</u> | <u>Variance</u> |
|----------------------------|----------------------------|---------------------|------------------------------|-------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Earnings and contributions | \$ 115,000 | \$ 115,000 | \$ 125,353 | \$ 10,353 |
| Expenditures: | | | | |
| Materials and services | 800 | 800 | 400 | 400 |
| Debt service | 193,517 | 193,517 | 94,956 | 98,561 |
| Contingency | 271,425 | 271,425 | - | 271,425 |
| Total expenditures | <u>465,742</u> | <u>465,742</u> | <u>95,356</u> | <u>370,386</u> |
| Net change in fund balance | (350,742) | (350,742) | 29,997 | 380,739 |
| Fund Balance: | | | | |
| Beginning of year | <u>350,742</u> | <u>350,742</u> | <u>548,075</u> | <u>197,333</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 578,072</u> | <u>\$ 578,072</u> |

CITY OF FLORENCE, OREGON
CITY FURA DEBT SERVICE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | Biennium Budget | | First Year Actual | Variance |
|--|--------------------|--------------|----------------------|--------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Intergovernmental | \$ 703,200 | \$ 703,200 | \$ 446,230 | \$ (256,970) |
| Expenditures: | | | | |
| Debt service | 703,200 | 703,200 | 246,230 | 456,970 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 200,000 | 200,000 |
| Other Financing Sources (Uses): | | | | |
| Notes issued to FURA | (3,300,000) | (3,300,000) | (600,012) | 2,699,988 |
| Loan proceeds | 3,300,000 | 3,300,000 | - | (3,300,000) |
| Total other financing sources (uses) | - | - | (600,012) | (600,012) |
| Net change in fund balance | - | - | (400,012) | (400,012) |
| Fund Balance: | | | | |
| Beginning of year | - | - | 400,012 | 400,012 |
| End of year | \$ - | \$ - | - | \$ - |

Reconciliation to GAAP Basis:

GASB requires the City to report transactions with FURA as interfund transactions. For budget purposes issuances of loans to FURA are reported as other financing uses and repayments are reported as revenue. Under the modified accrual basis of accounting the issuance and repayment of loans are reported as an increase and decrease in the Interfund Note Receivable. The note receivable at June 30, 2018 is a reconciling item.

| | |
|---------------------------------|--------------|
| | 3,487,440 |
| GAAP Fund Balance - End of Year | \$ 3,487,440 |

CITY OF FLORENCE, OREGON
FURA DEBT SERVICE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | Biennium Budget | | First Year Actual | Variance |
|----------------------------|--------------------|------------------|----------------------|-------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Taxes | \$ 815,400 | \$ 815,400 | \$ 439,591 | \$ (375,809) |
| Earnings and contributions | 9,000 | 9,000 | 4,908 | (4,092) |
| Total revenues | <u>824,400</u> | <u>824,400</u> | <u>444,499</u> | <u>(379,901)</u> |
| Expenditures: | | | | |
| Debt service | 1,217,200 | 1,217,200 | 446,230 | 770,970 |
| Contingency | <u>387,390</u> | <u>387,390</u> | - | <u>387,390</u> |
| Total expenditures | <u>1,604,590</u> | <u>1,604,590</u> | <u>446,230</u> | <u>1,158,360</u> |
| Net change in fund balance | (780,190) | (780,190) | (1,731) | 778,459 |
| Fund Balance: | | | | |
| Beginning of year | <u>780,190</u> | <u>780,190</u> | <u>281,305</u> | <u>(498,885)</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>279,574</u> | <u>\$ 279,574</u> |

Reconciliation to GAAP Basis:

GASB requires the City to report transactions with FURA as interfund transactions. For budget purposes issuances of loans from the City are reported as other financing sources and repayments are reported as debt service. Under the modified accrual basis of accounting the issuance and repayment of loans are reported as an increase and decrease in the Interfund Note Payable. The Note Payable at year-end is a reconciling item. (3,987,440)

GASB requires the City to report transactions with FURA as interfund transactions. For budget purposes issuances of loans from the City are reported as other financing sources and repayments are reported as debt service. Under the modified accrual basis of accounting the issuance and repayment of loans are reported as an increase and decrease in the Interfund Note Payable. Loan proceeds received during the year are a reconciling item. 1,100,012

The FURA General Fund received the proceeds from the note issued by the City. However, it is the FURA Debt Service Fund that will repay the Note Payable. For the modified accrual basis of accounting a transfer of the liability from the FURA General Fund to the FURA Debt Service Fund is recorded. This transfer is a reconciling item. (1,100,012)

GAAP Fund Balance - End of Year \$ (3,707,866)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds account for revenues derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities. Funds included in this fund category are:

9-1-1 Emergency Fund - The 911 Emergency Fund is used to account for revenue from the 911 telephone tax and user fees from various special districts for operation of the Western Lane County Public Safety Answering Point (PSAP).

Room Tax Fund - The Room Tax Fund is used to account for the City's room tax receipts. These taxes are used to help support the Florence Events Center and to accomplish specific marketing of the City and tourism-related projects.

Debt Service Funds account for the accumulation of resources for and payment of general long-term debt principal and interest. Funds included in this category are:

General Obligation Bond Fund - The General Obligation Bond Fund is used to account for the City's general obligation bond activity. Currently, a bond issued to fund construction of water utility infrastructure is accounted for in this fund.

CITY OF FLORENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2018

| | Special Revenue | | Debt Service | |
|---|----------------------------|------------------|------------------------------------|------------|
| | 9-1-1 Emergency Fund | Room Tax Fund | General Obligation Bond Fund | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 222,622 | \$ 10,453 | \$ 120,412 | \$ 353,487 |
| Receivables: | | | | |
| Accounts | 25,937 | 80,852 | - | 106,789 |
| Taxes | - | - | 16,316 | 16,316 |
| Total assets | \$ 248,559 | \$ 91,305 | \$ 136,728 | \$ 476,592 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 1,904 | \$ - | \$ - | \$ 1,904 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenues: | | | | |
| Property taxes | - | - | 16,095 | 16,095 |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Public safety | 246,655 | - | - | 246,655 |
| Tourism | - | 91,305 | - | 91,305 |
| Debt service payments | - | - | 120,633 | 120,633 |
| Total fund balances | 246,655 | 91,305 | 120,633 | 458,593 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 248,559 | \$ 91,305 | \$ 136,728 | \$ 476,592 |

CITY OF FLORENCE, OREGON
NONMAJOR GOVERNMENTAL FUNDS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

| | <u>Special Revenue</u> | | <u>Debt Service</u> | <u>Total</u> |
|--|----------------------------|------------------|------------------------------------|-------------------|
| | 9-1-1 Emergency Fund | Room Tax Fund | General Obligation Bond Fund | |
| Revenues: | | | | |
| Taxes | \$ 101,912 | \$ 409,343 | \$ 150,814 | \$ 662,069 |
| Charges for services | 172,548 | - | - | 172,548 |
| Earnings and contributions | 3,140 | - | 6,800 | 9,940 |
| Total revenues | <u>277,600</u> | <u>409,343</u> | <u>157,614</u> | <u>844,557</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety | 595,736 | - | - | 595,736 |
| Non-departmental | - | 155,004 | - | 155,004 |
| Debt service: | | | | |
| Principal | - | - | 164,094 | 164,094 |
| Interest | - | - | 17,312 | 17,312 |
| Total expenditures | <u>595,736</u> | <u>155,004</u> | <u>181,406</u> | <u>932,146</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(318,136)</u> | <u>254,339</u> | <u>(23,792)</u> | <u>(87,589)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 535,500 | - | - | 535,500 |
| Transfers out | <u>(130,700)</u> | <u>(232,500)</u> | <u>-</u> | <u>(363,200)</u> |
| Total other financing sources (uses) | <u>404,800</u> | <u>(232,500)</u> | <u>-</u> | <u>172,300</u> |
| Net change in fund balances | 86,664 | 21,839 | (23,792) | 84,711 |
| Fund Balances: | | | | |
| Beginning of year | <u>159,991</u> | <u>69,466</u> | <u>144,425</u> | <u>373,882</u> |
| End of year | <u>\$ 246,655</u> | <u>\$ 91,305</u> | <u>\$ 120,633</u> | <u>\$ 458,593</u> |

CITY OF FLORENCE, OREGON
911 EMERGENCY FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year</u> Actual | <u>Variance</u> |
|--|---------------------------|---------------------|-----------------------------|-------------------|
| | <u>Original</u> Budget | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Taxes | \$ 154,200 | \$ 154,200 | \$ 101,912 | \$ (52,288) |
| Charges for services | 329,900 | 329,900 | 172,548 | (157,352) |
| Earnings and contributions | - | - | 3,140 | 3,140 |
| Total revenues | <u>484,100</u> | <u>484,100</u> | <u>277,600</u> | <u>(206,500)</u> |
| Expenditures: | | | | |
| Personal services | 1,139,200 | 1,139,200 | 522,812 | 616,388 |
| Materials and services | 160,900 | 160,900 | 72,924 | 87,976 |
| Capital outlay | 20,000 | 20,000 | - | 20,000 |
| Contingency | 142,852 | 142,852 | - | 142,852 |
| Total expenditures | <u>1,462,952</u> | <u>1,462,952</u> | <u>595,736</u> | <u>867,216</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(978,852)</u> | <u>(978,852)</u> | <u>(318,136)</u> | <u>660,716</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 1,087,100 | 1,087,100 | 535,500 | (551,600) |
| Transfers out | <u>(265,300)</u> | <u>(265,300)</u> | <u>(130,700)</u> | <u>134,600</u> |
| Total other financing sources (uses) | <u>821,800</u> | <u>821,800</u> | <u>404,800</u> | <u>(417,000)</u> |
| Net change in fund balance | (157,052) | (157,052) | 86,664 | 243,716 |
| Fund Balance: | | | | |
| Beginning of year | <u>157,052</u> | <u>157,052</u> | <u>159,991</u> | <u>2,939</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 246,655</u> | <u>\$ 246,655</u> |

CITY OF FLORENCE, OREGON
ROOM TAX FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year Actual</u> | <u>Variance</u> |
|--|----------------------------|---------------------|------------------------------|------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Taxes | \$ 785,300 | \$ 785,300 | \$ 409,343 | \$ (375,957) |
| Expenditures: | | | | |
| Materials and services | 314,100 | 314,100 | 155,004 | 159,096 |
| Contingency | <u>80,402</u> | <u>80,402</u> | <u>-</u> | <u>80,402</u> |
| Total expenditures | <u>394,502</u> | <u>394,502</u> | <u>155,004</u> | <u>239,498</u> |
| Excess (deficiency) of revenues over (under) expenditures | 390,798 | 390,798 | 254,339 | (136,459) |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(481,200)</u> | <u>(481,200)</u> | <u>(232,500)</u> | <u>248,700</u> |
| Net change in fund balance | (90,402) | (90,402) | 21,839 | 112,241 |
| Fund Balance: | | | | |
| Beginning of year | <u>90,402</u> | <u>90,402</u> | <u>69,466</u> | <u>(20,936)</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 91,305</u> | <u>\$ 91,305</u> |

CITY OF FLORENCE, OREGON
GENERAL OBLIGATION BOND FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year Actual</u> | <u>Variance</u> |
|----------------------------|----------------------------|---------------------|------------------------------|------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Taxes | \$ 299,000 | \$ 299,000 | \$ 150,814 | \$ (148,186) |
| Earnings and contributions | 1,500 | 1,500 | 6,800 | 5,300 |
| Total revenues | <u>300,500</u> | <u>300,500</u> | <u>157,614</u> | <u>(142,886)</u> |
| Expenditures: | | | | |
| Debt service | <u>359,400</u> | <u>359,400</u> | <u>181,406</u> | <u>177,994</u> |
| Net change in fund balance | (58,900) | (58,900) | (23,792) | 35,108 |
| Fund Balance: | | | | |
| Beginning of year | <u>137,311</u> | <u>137,311</u> | <u>144,425</u> | <u>7,114</u> |
| End of year | <u>\$ 78,411</u> | <u>\$ 78,411</u> | <u>\$ 120,633</u> | <u>\$ 42,222</u> |

ENTERPRISE FUNDS

CITY OF FLORENCE, OREGON

WATER FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

| | Biennium Budget | | | |
|--|--------------------|--------------|----------------------|----------------|
| | Original Budget | Final Budget | First Year Actual | Variance |
| Revenues: | | | | |
| Charges for services | \$ 4,505,500 | \$ 4,505,500 | \$ 2,201,046 | \$ (2,304,454) |
| Earnings and contributions | 287,400 | 287,400 | 56,215 | (231,185) |
| Total revenues | 4,792,900 | 4,792,900 | 2,257,261 | (2,535,639) |
| Expenditures: | | | | |
| Personal services | 664,000 | 664,000 | 320,766 | 343,234 |
| Materials and services | 1,047,500 | 1,047,500 | 515,295 | 532,205 |
| Capital outlay | 3,730,000 | 3,730,000 | 1,537,599 | 2,192,401 |
| Debt service | 315,400 | 315,400 | 169,667 | 145,733 |
| Contingency | 597,844 | 597,844 | - | 597,844 |
| Total expenditures | 6,354,744 | 6,354,744 | 2,543,327 | 3,811,417 |
| Excess (deficiency) of revenues over (under) expenditures | (1,561,844) | (1,561,844) | (286,066) | 1,275,778 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 200,000 | 200,000 | 71,972 | (128,028) |
| Transfers out | (1,352,200) | (1,352,200) | (655,000) | 697,200 |
| Loan proceeds | 500,000 | 500,000 | - | (500,000) |
| Total other financing sources (uses) | (652,200) | (652,200) | (583,028) | 69,172 |
| Net change in fund balance | (2,214,044) | (2,214,044) | (869,094) | 1,344,950 |
| Fund Balance: | | | | |
| Beginning of year | 2,214,044 | 2,214,044 | 2,155,461 | (58,583) |
| End of year | \$ - | \$ - | 1,286,367 | \$ 1,286,367 |
| Reconciliation to GAAP Basis: | | | | |
| Water System Development Fund net position | | | 208,280 | |
| Capital assets | | | 9,051,193 | |
| Inventory | | | 65,276 | |
| Accrued interest payable | | | (6,988) | |
| Compensated absences | | | (11,471) | |
| Long-term debt | | | (1,867,298) | |
| Net pension asset (liability) | | | (109,494) | |
| Deferred outflow (inflow) related to pensions | | | 34,360 | |
| Net OPEB asset (liability) | | | (18,763) | |
| Deferred outflow (inflow) related to OPEB | | | 1,224 | |
| GAAP Net Position - End of Year | | | \$ 8,632,686 | |

CITY OF FLORENCE, OREGON
WATER SYSTEM DEVELOPMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | Biennium Budget | | First Year Actual | Variance |
|--|--------------------|--------------|----------------------|-------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Earnings and contributions | \$ 218,300 | \$ 218,300 | \$ 136,929 | \$ (81,371) |
| Expenditures: | | | | |
| Materials and services | 20,000 | 20,000 | 1,775 | 18,225 |
| Contingency | 124,710 | 124,710 | - | 124,710 |
| Total expenditures | 144,710 | 144,710 | 1,775 | 142,935 |
| Excess (deficiency) of revenues over (under) expenditures | 73,590 | 73,590 | 135,154 | 61,564 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (200,000) | (200,000) | (71,972) | 128,028 |
| Net change in fund balance | (126,410) | (126,410) | 63,182 | 189,592 |
| Fund Balance: | | | | |
| Beginning of year | 126,410 | 126,410 | 138,284 | 11,874 |
| End of year | \$ - | \$ - | 201,466 | \$ 201,466 |
| Reconciliation to GAAP Basis: | | | | |
| Unavailable revenues - notes receivable | | | 6,814 | |
| GAAP Net Position - End of Year, before transfer | | | 208,280 | |
| The Water System Development Fund is budgeted as an individual fund but is combined with the Water Fund for GAAP reporting. | | | (208,280) | |
| GAAP Net Position - End of Year | | | \$ - | |

CITY OF FLORENCE, OREGON

WASTEWATER FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

| | Biennium Budget | | | |
|--|--------------------|--------------|----------------------|----------------|
| | Original Budget | Final Budget | First Year Actual | Variance |
| Revenues: | | | | |
| Charges for services | \$ 6,515,400 | \$ 6,515,400 | \$ 3,225,921 | \$ (3,289,479) |
| Earnings and contributions | 923,700 | 923,700 | 254,259 | (669,441) |
| Total revenues | 7,439,100 | 7,439,100 | 3,480,180 | (3,958,920) |
| Expenditures: | | | | |
| Personal services | 720,800 | 720,800 | 376,675 | 344,125 |
| Materials and services | 1,327,400 | 1,327,400 | 681,141 | 646,259 |
| Capital outlay | 2,362,500 | 2,362,500 | 970,924 | 1,391,576 |
| Debt service | 2,356,600 | 2,356,600 | 1,193,996 | 1,162,604 |
| Contingency | 610,457 | 610,457 | - | 610,457 |
| Total expenditures | 7,377,757 | 7,377,757 | 3,222,736 | 4,155,021 |
| Excess (deficiency) of revenues over (under) expenditures | 61,343 | 61,343 | 257,444 | 196,101 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 757,500 | 757,500 | 429,264 | (328,236) |
| Transfers out | (1,382,500) | (1,382,500) | (672,600) | 709,900 |
| Total other financing sources (uses) | (625,000) | (625,000) | (243,336) | 381,664 |
| Net change in fund balance | (563,657) | (563,657) | 14,108 | 577,765 |
| Fund Balance: | | | | |
| Beginning of year | 563,657 | 563,657 | 631,199 | 67,542 |
| End of year | \$ - | \$ - | 645,307 | \$ 645,307 |
| Reconciliation to GAAP Basis: | | | | |
| Wastewater System Development Fund net position | | | 449,796 | |
| Capital assets | | | 16,438,977 | |
| Inventory | | | 15,476 | |
| Accrued interest payable | | | (16,202) | |
| Compensated absences | | | (20,583) | |
| Long-term debt | | | (6,884,772) | |
| Net pension asset (liability) | | | (287,878) | |
| Deferred outflow (inflow) related to pensions | | | 90,341 | |
| Net OPEB asset (liability) | | | (17,248) | |
| Deferred outflow (inflow) related to OPEB | | | 1,125 | |
| GAAP Net Position - End of Year | | | \$ 10,414,339 | |

CITY OF FLORENCE, OREGON
WASTEWATER SYSTEM DEVELOPMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | Biennium Budget | | First Year Actual | Variance |
|--|--------------------|--------------|----------------------|-------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Earnings and contributions | \$ 217,400 | \$ 217,400 | \$ 183,141 | \$ (34,259) |
| Expenditures: | | | | |
| Materials and services | 19,200 | 19,200 | 1,775 | 17,425 |
| Contingency | 41,720 | 41,720 | - | 41,720 |
| Total expenditures | 60,920 | 60,920 | 1,775 | 59,145 |
| Excess (deficiency) of revenues over (under) expenditures | 156,480 | 156,480 | 181,366 | 24,886 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (757,500) | (757,500) | (429,264) | 328,236 |
| Net change in fund balance | (601,020) | (601,020) | (247,898) | 353,122 |
| Fund Balance: | | | | |
| Beginning of year | 601,020 | 601,020 | 629,276 | 28,256 |
| End of year | \$ - | \$ - | 381,378 | \$ 381,378 |
| Reconciliation to GAAP Basis: | | | | |
| Unavailable revenues - notes receivable | | | 68,418 | |
| GAAP Net Position - End of Year, before transfer | | | 449,796 | |
| The Wastewater System Development Fund is budgeted as an individual fund but is combined with the Wastewater Fund for GAAP reporting. | | | (449,796) | |
| GAAP Net Position - End of Year | | | \$ - | |

CITY OF FLORENCE, OREGON
STORMWATER FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year Actual</u> | <u>Variance</u> |
|--|----------------------------|---------------------|------------------------------|-------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Charges for services | \$ 1,101,500 | \$ 1,101,500 | \$ 539,279 | \$ (562,221) |
| Earnings and contributions | 15,500 | 15,500 | 13,866 | (1,634) |
| Total revenues | <u>1,117,000</u> | <u>1,117,000</u> | <u>553,145</u> | <u>(563,855)</u> |
| Expenditures: | | | | |
| Personal services | 239,700 | 239,700 | 67,267 | 172,433 |
| Materials and services | 114,850 | 114,850 | 46,779 | 68,071 |
| Capital outlay | 500,000 | 500,000 | 84,873 | 415,127 |
| Debt service | 33,500 | 33,500 | 16,350 | 17,150 |
| Contingency | 495,060 | 495,060 | - | 495,060 |
| Total expenditures | <u>1,383,110</u> | <u>1,383,110</u> | <u>215,269</u> | <u>1,167,841</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(266,110)</u> | <u>(266,110)</u> | <u>337,876</u> | <u>603,986</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 110,000 | 110,000 | 84,873 | (25,127) |
| Transfers out | <u>(542,400)</u> | <u>(542,400)</u> | <u>(142,500)</u> | <u>399,900</u> |
| Total other financing sources (uses) | <u>(432,400)</u> | <u>(432,400)</u> | <u>(57,627)</u> | <u>374,773</u> |
| Net change in fund balance | (698,510) | (698,510) | 280,249 | 978,759 |
| Fund Balance: | | | | |
| Beginning of year | <u>698,510</u> | <u>698,510</u> | <u>671,688</u> | <u>(26,822)</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>951,937</u> | <u>\$ 951,937</u> |
| Reconciliation to GAAP Basis: | | | | |
| Stormwater System Development Fund net position | | | 204,220 | |
| Capital assets | | | 1,846,590 | |
| Accrued interest payable | | | (560) | |
| Compensated absences | | | (3,234) | |
| Long-term debt | | | (244,453) | |
| Net pension asset (liability) | | | (20,737) | |
| Deferred outflow (inflow) related to pensions | | | 6,508 | |
| Net OPEB asset (liability) | | | (6,177) | |
| Deferred outflow (inflow) related to OPEB | | | 403 | |
| GAAP Net Position - End of Year | | | <u>\$ 2,734,497</u> | |

CITY OF FLORENCE, OREGON
STORMWATER SYSTEM DEVELOPMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | Biennium Budget | | First Year Actual | Variance |
|--|--------------------|--------------|----------------------|-------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Earnings and contributions | \$ 163,600 | \$ 163,600 | \$ 87,458 | \$ (76,142) |
| Expenditures: | | | | |
| Materials and services | 67,000 | 67,000 | 710 | 66,290 |
| Contingency | 118,516 | 118,516 | - | 118,516 |
| Total expenditures | 185,516 | 185,516 | 710 | 184,806 |
| Excess (deficiency) of revenues over (under) expenditures | (21,916) | (21,916) | 86,748 | 108,664 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (110,000) | (110,000) | (84,873) | 25,127 |
| Net change in fund balance | (131,916) | (131,916) | 1,875 | 133,791 |
| Fund Balance: | | | | |
| Beginning of year | 131,916 | 131,916 | 185,975 | 54,059 |
| End of year | \$ - | \$ - | 187,850 | \$ 187,850 |
| Reconciliation to GAAP Basis: | | | | |
| Unavailable revenues - notes receivable | | | 16,370 | |
| GAAP Net Position - End of Year, before transfer | | | 204,220 | |
| The Stormwater System Development Fund is budgeted as an individual fund but is combined with the Stormwater Fund for GAAP reporting. | | | (204,220) | |
| GAAP Net Position - End of Year | | | \$ - | |

CITY OF FLORENCE, OREGON

AIRPORT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

| | Biennium Budget | | | |
|--|--------------------|--------------|----------------------|----------------|
| | Original Budget | Final Budget | First Year Actual | Variance |
| Revenues: | | | | |
| Intergovernmental | \$ 1,143,800 | \$ 1,143,800 | \$ - | \$ (1,143,800) |
| Charges for services | 99,000 | 99,000 | 62,592 | (36,408) |
| Earnings and contributions | 170,668 | 170,668 | 131,799 | (38,869) |
| Total revenues | 1,413,468 | 1,413,468 | 194,391 | (1,219,077) |
| Expenditures: | | | | |
| Materials and services | 171,700 | 171,700 | 103,134 | 68,566 |
| Capital outlay | 1,205,800 | 1,205,800 | 203,652 | 1,002,148 |
| Contingency | 19,506 | 19,506 | - | 19,506 |
| Total expenditures | 1,397,006 | 1,397,006 | 306,786 | 1,090,220 |
| Excess (deficiency) of revenues over (under) expenditures | 16,462 | 16,462 | (112,395) | (128,857) |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (54,800) | (54,800) | (26,700) | 28,100 |
| Net change in fund balance | (38,338) | (38,338) | (139,095) | (100,757) |
| Fund Balance: | | | | |
| Beginning of year | 38,338 | 38,338 | 36,324 | (2,014) |
| End of year | \$ - | \$ - | (102,771) | \$ (102,771) |
| Reconciliation to GAAP Basis: | | | | |
| Capital assets | | | 2,783,040 | |
| Inventory | | | 14,384 | |
| GAAP Net Position - End of Year | | | \$ 2,694,653 | |

CITY OF FLORENCE, OREGON
EVENTS CENTER FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year Actual</u> | <u>Variance</u> |
|--|----------------------------|---------------------|------------------------------|-------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 202,000 | \$ 202,000 | \$ 108,005 | \$ (93,995) |
| Charges for services | 450,400 | 450,400 | 239,712 | (210,688) |
| Earnings and contributions | <u>353,500</u> | <u>353,500</u> | <u>215,836</u> | <u>(137,664)</u> |
| Total revenues | <u>1,005,900</u> | <u>1,005,900</u> | <u>563,553</u> | <u>(442,347)</u> |
| Expenditures: | | | | |
| Personal services | 677,000 | 677,000 | 285,092 | 391,908 |
| Materials and services | 732,500 | 732,500 | 385,747 | 346,753 |
| Capital outlay | 149,000 | 149,000 | 112,897 | 36,103 |
| Debt service | 14,100 | 14,100 | - | 14,100 |
| Contingency | <u>243,414</u> | <u>243,414</u> | <u>-</u> | <u>243,414</u> |
| Total expenditures | <u>1,816,014</u> | <u>1,816,014</u> | <u>783,736</u> | <u>1,032,278</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(810,114)</u> | <u>(810,114)</u> | <u>(220,183)</u> | <u>589,931</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 596,200 | 596,200 | 297,500 | (298,700) |
| Transfers out | (297,600) | (297,600) | (56,200) | 241,400 |
| Loan proceeds | <u>200,000</u> | <u>200,000</u> | <u>-</u> | <u>(200,000)</u> |
| Total other financing sources (uses) | <u>498,600</u> | <u>498,600</u> | <u>241,300</u> | <u>(257,300)</u> |
| Net change in fund balance | (311,514) | (311,514) | 21,117 | 332,631 |
| Fund Balance: | | | | |
| Beginning of year | <u>390,514</u> | <u>390,514</u> | <u>345,681</u> | <u>(44,833)</u> |
| End of year | <u>\$ 79,000</u> | <u>\$ 79,000</u> | <u>366,798</u> | <u>\$ 287,798</u> |
| Reconciliation to GAAP Basis: | | | | |
| Capital assets | | | 2,121,863 | |
| Compensated absences | | | (25,075) | |
| Net pension asset (liability) | | | (216,390) | |
| Deferred outflow (inflow) related to pensions | | | 67,906 | |
| Net OPEB asset (liability) | | | (24,355) | |
| Deferred outflow (inflow) related to OPEB | | | <u>1,589</u> | |
| GAAP Net Position - End of Year | | | <u>\$ 2,292,336</u> | |

INTERNAL SERVICE FUND

CITY OF FLORENCE, OREGON
PUBLIC WORKS ADMIN FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

| | <u>Biennium Budget</u> | | <u>First Year Actual</u> | <u>Variance</u> |
|--|----------------------------|---------------------|------------------------------|--------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Charges for services | \$ 36,900 | \$ 36,900 | \$ 22,900 | \$ (14,000) |
| Earnings and contributions | - | - | 21,552 | 21,552 |
| Total revenues | <u>36,900</u> | <u>36,900</u> | <u>44,452</u> | <u>7,552</u> |
| Expenditures: | | | | |
| Personal services | 1,136,900 | 1,136,900 | 532,032 | 604,868 |
| Materials and services | 225,523 | 225,523 | 93,183 | 132,340 |
| Capital outlay | 1,975,000 | 1,975,000 | 2,078,301 | (103,301) |
| Debt service | 438,200 | 438,200 | 219,610 | 218,590 |
| Contingency | 96,639 | 96,639 | - | 96,639 |
| Total expenditures | <u>3,872,262</u> | <u>3,872,262</u> | <u>2,923,126</u> | <u>949,136</u> |
| Excess (deficiency) of revenues over (under) expenditures | (3,835,362) | (3,835,362) | (2,878,674) | 956,688 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | <u>2,053,800</u> | <u>2,053,800</u> | <u>1,016,700</u> | <u>(1,037,100)</u> |
| Net change in fund balance | (1,781,562) | (1,781,562) | (1,861,974) | (80,412) |
| Fund Balance: | | | | |
| Beginning of year | <u>1,781,562</u> | <u>1,781,562</u> | <u>2,031,413</u> | <u>249,851</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | 169,439 | <u>\$ 169,439</u> |
| Reconciliation to GAAP Basis: | | | | |
| Capital assets | | | 3,681,706 | |
| Accrued interest payable | | | (7,569) | |
| Compensated absences | | | (53,706) | |
| Long-term debt | | | (3,110,420) | |
| Net pension asset (liability) | | | (377,843) | |
| Deferred outflow (inflow) related to pensions | | | 118,573 | |
| Net pension asset (liability) | | | (25,509) | |
| Deferred outflow (inflow) related to pensions | | | <u>1,664</u> | |
| GAAP Net Position - End of Year | | | <u>\$ 396,335</u> | |

AGENCY FUNDS

City of Florence, Oregon

AGENCY FUNDS

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2018

| | <u>Balances July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balances June 30, 2018</u> |
|------------------------------------|----------------------------------|-------------------|---------------------|-----------------------------------|
| Municipal Court Agency Fund | | | | |
| ASSETS | | | | |
| Cash and investments | <u>\$ 45,990</u> | <u>\$ 296,011</u> | <u>\$ (291,617)</u> | <u>\$ 50,384</u> |
| LIABILITIES | | | | |
| Amounts held for others | <u>\$ 45,990</u> | <u>\$ 296,011</u> | <u>\$ (291,617)</u> | <u>\$ 50,384</u> |

COMPLIANCE SECTION



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COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE STATUE

Honorable Mayor and City Commission
City of Florence, Oregon

We have audited the basic financial statements of the City of Florence, Oregon ("City") as of and for the year ended June 30, 2018, and have issued our report thereon dated April 15, 2019. 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 City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on 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:

- Deposits 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.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- 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 Florence, Oregon 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, except as follows:

1. Expenditures exceeded budgeted amounts as described in note II.B. to the financial statements.
2. Accounting records were not prepared timely and accurately.

OAR 162-10-0230 Internal Control

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified a deficiency in internal control over financial reporting that we consider to be a material weaknesses, as described in the AU Section 325 written communication.

This report is intended for the information of the City Council and the Secretary of State Division of Audits of the State of Oregon. However, this report is a matter of public record and is not intended to be and should not be used by anyone other than these parties.

Isler CPA

By:



Paul R Nielson, CPA, a member of the firm

Eugene, Oregon

April 15, 2019