



City of Florence, Oregon

Annual Financial Report

Fiscal Year Ended June 30, 2017

CITY OF FLORENCE, OREGON
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

CITY OF FLORENCE, OREGON

Annual Financial Report

For the Fiscal Year Ended June 30, 2017

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CITY OF FLORENCE, OREGON

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INTRODUCTORY SECTION

CITY OF FLORENCE, OREGON

Principal City Officials

June 30, 2017

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
541.342.5161
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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, 2017, 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, 2017, 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, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions 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 required supplementary 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 and Street Development 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 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 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 July 12, 2018 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, flowing style.

Paul R Nielson, CPA, a member of the firm

Eugene, Oregon

July 12, 2018

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, 2017.

Financial Highlights

The City's governmental activities assets totaled \$23.3 million at June 30, 2017, consisting of \$16.0 million in net capital assets, \$5.07 million in cash and cash equivalents and \$2.25 million in receivables and other assets. The City's governmental activities liabilities totaled \$11.4 million at June 30, 2017, consisting of \$10.6 million in noncurrent liabilities and \$0.8 million in accounts payable and other current liabilities. Total net position was \$12.7 million, of which \$8.1 million was invested in capital assets, net of related debt, \$3.3 million was restricted and the remaining \$1.3 million was unrestricted.

The City's governmental activities net position increased by \$0.5 million or 4.5 percent. Overall governmental activities revenue increased by \$2.2 million or 37.7 percent. The most significant changes were an increase of \$1.4 million in the capital grants and contributions, an increase of \$0.4 million, or 41.9 percent, in franchise and lodging taxes, and an increase of \$0.2 million, 6.5 percent in property taxes (primarily driven by an increase in urban renewal taxes), and an increase of \$0.2 million, 15.0 percent in charges for services.

The City's business-type activities assets totaled \$40.1 million at June 30, 2017, consisting of \$32.7 million in capital assets, \$6.7 million in cash and cash equivalents and \$0.7 million in receivables and other assets. The City's business-type activities liabilities totaled \$15.0 million at June 30, 2017, consisting of \$14.4 million in noncurrent liabilities and \$0.6 million in accounts payable and other liabilities. Total net position was \$25.5 million of which \$19.3 million was invested in capital assets, net of related debt, \$1.1 million was restricted and the remaining \$5.0 million was unrestricted.

The City's business-type activities net position increased by \$1.5 million or 6.4 percent. Business-type activities revenue decreased by \$0.01 million, or 0.2 percent. Capital grants and contributions were \$0.4 million, an increase of \$0.2 million, or 65.9 percent over the prior year due to increased system development contributions. Charges for services decreased \$0.03 million, or 0.5 percent. The decrease is related to reduced consumption due to increased rainfall during irrigation season. The City did not adjust utility rates (water, wastewater or stormwater) for fiscal year 2017, pending completion of a rate study, although the City did increase street fees by 9.1 percent. Street fee revenue is reported in governmental activities.

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 general government, public safety, highways and streets, culture and recreation, and economic development. 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 changes 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. 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. 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 tables and budgetary comparison schedule 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. Combining and individual fund statements and schedules can be found on pages 53 - 71 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$38.1 million as of June 30, 2017.

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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7,318	\$ 6,033	\$ 7,430	\$ 5,233	\$ 14,748	\$ 11,266
Capital assets	16,006	13,582	32,706	29,818	48,712	43,400
Total assets	23,324	19,615	40,136	35,051	63,460	54,666
Deferred outflows of resources	910	245	344	95	1,254	340
Long-term liabilities	10,592	6,948	14,420	10,439	25,012	17,387
Other liabilities	802	473	552	677	1,354	1,150
Total liabilities	11,394	7,421	14,972	11,116	26,366	18,537
Deferred inflows of resources	145	287	55	98	200	385
Net position:						
Net investment in capital assets	8,085	8,749	19,298	19,825	27,383	28,574
Restricted for:						
Public safety	160	8	-	-	160	8
Urban renewal	957	-	-	-	957	-
Tourism/economic development	70	82	-	-	70	82
Transportation	142	-	-	-	142	-
System development	593	1,032	1,045	978	1,638	2,010
Debt service	1,374	532	-	1	1,374	533
Event Center, nonexpendable	-	-	78	78	78	78
Unrestricted	1,314	1,749	5,033	3,050	6,347	4,799
Total net position	\$ 12,695	\$ 12,152	\$ 25,454	\$ 23,932	\$ 38,149	\$ 36,084

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.

Governmental activities. Governmental activities increased the City of Florence's net position by \$0.5 million, or 1.5 percent. Key elements of this increase are as follows:

- Increase in franchise and lodging tax revenue of \$0.38 million
- Increase in charges for services of \$0.18 million
- Interest expense decreased from prior year by \$0.14 million
- Reduction in spending on economic development of \$0.25 million
- Reduction in operational expenditures of \$0.05 million from prior year

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue						
Charges for services	\$ 1,343	\$ 1,230	\$ 6,272	\$ 6,306	\$ 7,615	\$ 7,536
Operating grants and contributions	755	732	-	192	755	924
Capital grants and contributions	1,443	29	443	267	1,886	296
General revenue						
Property taxes	2,965	2,826	-	-	2,965	2,826
Franchise and lodging taxes	1,270	895	-	-	1,270	895
Intergovernmental	232	220			232	220
Investment earnings	66	33	79	41	145	74
Total revenue	8,074	5,965	6,794	6,806	14,868	12,771
Expenses						
Governmental activities						
General government	1,425	1,424	-	-	1,425	1,424
Culture and recreation	175	164	-	-	175	164
Public safety	3,625	3,697	-	-	3,625	3,697
Economic development	1,122	1,376	-	-	1,122	1,376
Highways and streets	921	912	-	-	921	912
Interest expense	212	356	-	-	212	356
Business-type activities						
Water	-	-	1,686	1,596	1,686	1,596
Wastewater	-	-	2,327	2,318	2,327	2,318
Stormwater	-	-	211	211	211	211
Events Center	-	-	933	860	933	860
Airport	-	-	166	166	166	166
Total expenses	7,480	7,929	5,323	5,151	12,803	13,080
Change in net position before non-operating items	594	(1,964)	1,471	1,655	2,065	(309)
Capital contributions	(181)	-	181	-	-	-
Transfers	130	393	(130)	(393)	-	-
Change in net position	543	(1,571)	1,522	1,262	2,065	(309)
Net position - beginning	12,152	14,872	23,932	21,521	36,084	36,393
Restatement	-	(1,149)	-	1,149	-	-
Net position - beginning, as restated	12,152	13,723	23,932	22,670	36,084	36,393
Net position - ending	\$ 12,695	\$ 12,152	\$ 25,454	\$ 23,932	\$ 38,149	\$ 36,084

Business-type activities. Business-type activities increased the City of Florence's net position by \$1.5 million, or 4.2 percent. Key elements of this increase are as follows:

- Reduction in expenditures of \$0.05 million from the prior year
- Reduction in revenue of \$0.01 million from the prior year
- Reduction in transfers of \$0.26 million from the prior year
- Increase in Capital contribution of \$0.18 million 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 \$5.1 million, an increase of \$1.0 million in comparison with the prior year. The increase is attributable to unspent debt proceeds of \$1.0 million in the FURA General Fund, \$0.4 million unspent debt proceeds in the City FURA Debt Service Fund, a \$0.1 million increase in the General Fund, and \$0.5 million increase spread amongst several other funds. The increased fund balances were offset by a reduction in the Street Fund of \$0.7 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 \$1.79 million, a decrease of \$0.05 million, or 2.6 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.

Unrestricted net position as of June 30, 2017 of the City's enterprise funds is as follows:

- Water Fund \$8.37 million, an increase of \$0.37 million, 4.6 percent
- Wastewater Fund \$9.50 million, an increase of \$0.75 million, 8.6 percent
- Stormwater Fund \$2.43 million, an increase of \$0.33 million, 15.7 percent
- Airport Fund \$2.71 million, an increase of \$0.16 million, 5.6 percent
- Events Center Fund \$2.32 million, a decrease of \$0.03 million, 1.2 percent

General Fund Budgetary Highlights

The General Fund budget for revenues was budgeted at \$4.96 million, with actual of \$4.49 million, (a negative difference of \$0.47 million, or 9.6 percent). The primary reason for the budgetary shortfall was grants that were budgeted were not awarded, which were offset by corresponding reductions in expenditures. Property taxes were \$0.7 million less than budgeted, 2.9 percent, as taxable assessed value continued to underperform, while franchise fees were \$0.95 million greater than budgeted, 12.2 percent, due to improved economic conditions and cooler than average weather. License and fees revenue were \$0.6 million greater than budgeted, 15.9 percent, as building activity increased.

Expenditures for the General Fund budget were underspent in all program category expenditures by \$1.25 million compared to budget. Excluding timing of capital outlay expenditures of \$0.94 million (including \$0.8 million in grant funded projects), expenditures were under budget by \$0.31 million, or 6.0 percent. The \$0.31 million in under spending can be attributed to staffing vacancies due to various factors. Capital outlay expenditures budgeted in fiscal year 2017 were delayed to the following fiscal year or later for grant funded projects.

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, 2017, amounts to \$48.7 million net of accumulated depreciation. 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.

The following table summarizes the City of Florence's capital assets as of June 30, 2017:

Table 3
Capital Assets as of June 30th
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 970	\$ 970	\$ 1,868	\$ 1,687	\$ 2,838	\$ 2,657
Buildings and improvements	4,998	5,251	13,528	14,087	18,526	19,338
Equipment and vehicles	664	806	1,169	1,024	1,833	1,830
Utility systems	-	-	4,880	5,166	4,880	5,166
Infrastructure	5,675	6,166	7,076	6,905	12,751	13,071
Construction in progress	3,699	389	4,185	949	7,884	1,338
Capital assets, net of depreciation	\$ 16,006	\$ 13,582	\$ 32,706	\$ 29,818	\$ 48,712	\$ 43,400

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 \$21.3 million. During fiscal year 2017 the City completed a \$9.8 million financing to fund urban renewal debt refinancing and new projects (\$3.7 million), street (\$1.3 million) and water (\$1.5 million) infrastructure projects and public works facilities (\$3.3 million). The City timely paid its debt service payments during the year and was in compliance with required debt covenants.

Table 4
Outstanding Long-term Debt Obligations as of June 30th
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ 2,911	\$ 3,173	\$ 4,201	\$ 4,985	\$ 7,112	\$ 8,158
Notes payable	140	261	4,502	4,899	4,642	5,160
Line of credit	4,870	2,383	4,706	117	9,576	2,500
Total	\$ 7,921	\$ 5,817	\$ 13,409	\$ 10,001	\$ 21,330	\$ 15,818

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 have been 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 and 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 Finance Director, 250 Highway 101, Florence, 97439.

BASIC FINANCIAL STATEMENTS

CITY OF FLORENCE, OREGON

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,068,628	\$ 6,720,893	\$ 11,789,521
Receivables:			
Accounts	519,771	523,407	1,043,178
Taxes	264,002	-	264,002
Assessments	1,342,974	-	1,342,974
Inventories	-	94,591	94,591
Prepaid expenses	77,681	-	77,681
Notes receivable	45,464	91,602	137,066
Capital assets not being depreciated	4,669,683	6,050,963	10,720,646
Capital assets net of accumulated depreciation	<u>11,335,789</u>	<u>26,654,581</u>	<u>37,990,370</u>
Total assets	<u>23,323,992</u>	<u>40,136,037</u>	<u>63,460,029</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>909,711</u>	<u>344,679</u>	<u>1,254,390</u>
LIABILITIES			
Accounts payable and accrued expenses	344,711	418,999	763,710
Accrued payroll liabilities	163,942	-	163,942
Deposits payable	20,000	-	20,000
Interest payable	23,357	35,377	58,734
Compensated absences	250,133	97,092	347,225
Noncurrent liabilities:			
Due within one year	607,750	1,305,839	1,913,589
Due in more than one year	7,312,482	12,102,449	19,414,931
Net pension liability	<u>2,671,885</u>	<u>1,012,342</u>	<u>3,684,227</u>
Total liabilities	<u>11,394,260</u>	<u>14,972,098</u>	<u>26,366,358</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>144,878</u>	<u>54,892</u>	<u>199,770</u>
NET POSITION			
Net invested in capital assets	8,085,240	19,297,256	27,382,496
Restricted for:			
Public safety	159,991	-	159,991
Urban renewal projects	956,776	-	956,776
Tourism	69,466	-	69,466
Transportation	142,246	-	142,246
System development	593,082	1,045,137	1,638,219
Debt service payments	1,373,817	-	1,373,817
Events Center, nonexpendable	-	78,405	78,405
Unrestricted	<u>1,313,947</u>	<u>5,032,928</u>	<u>6,346,875</u>
Total net position	<u>\$ 12,694,565</u>	<u>\$ 25,453,726</u>	<u>\$ 38,148,291</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, 2017

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:							
General government	\$ 1,425,135	\$ 703,566	\$ -	\$ -	\$ (721,569)	\$ -	\$ (721,569)
Public safety	3,624,860	298,350	236,364	-	(3,090,146)	-	(3,090,146)
Economic development	1,122,411	-	-	-	(1,122,411)	-	(1,122,411)
Highways and streets	920,785	340,762	518,250	1,443,244	1,381,471	-	1,381,471
Culture and recreation	174,977	-	-	-	(174,977)	-	(174,977)
Interest on long-term liabilities	211,975	-	-	-	(211,975)	-	(211,975)
Total governmental activities	<u>7,480,143</u>	<u>1,342,678</u>	<u>754,614</u>	<u>1,443,244</u>	<u>(3,939,607)</u>	<u>-</u>	<u>(3,939,607)</u>
Business-type activities:							
Water	1,685,517	2,126,622	-	117,648	-	558,753	558,753
Wastewater	2,327,154	3,114,118	-	119,906	-	906,870	906,870
Stormwater	211,443	528,209	-	78,844	-	395,610	395,610
Events Center	932,866	339,053	-	126,208	-	(467,605)	(467,605)
Airport	166,376	164,237	-	-	-	(2,139)	(2,139)
Total business-type activities	<u>5,323,356</u>	<u>6,272,239</u>	<u>-</u>	<u>442,606</u>	<u>-</u>	<u>1,391,489</u>	<u>1,391,489</u>
Total government	<u>\$ 12,803,499</u>	<u>\$ 7,614,917</u>	<u>\$ 754,614</u>	<u>\$ 1,885,850</u>	<u>(3,939,607)</u>	<u>1,391,489</u>	<u>(2,548,118)</u>
General revenues:							
Taxes:							
Property taxes					2,965,478	-	2,965,478
Transient room taxes					352,748	-	352,748
Intergovernmental					232,049	-	232,049
Franchise fees					917,267	-	917,267
Unrestricted investment earnings					65,758	79,047	144,805
Capital contributions					(181,101)	181,101	-
Transfers					129,500	(129,500)	-
Total general revenues and transfers					<u>4,481,699</u>	<u>130,648</u>	<u>4,612,347</u>
Change in net position					542,092	1,522,137	2,064,229
Net position, beginning, as restated (see note IV.D.)					<u>12,152,473</u>	<u>23,931,589</u>	<u>36,084,062</u>
Net position, ending					<u>\$ 12,694,565</u>	<u>\$ 25,453,726</u>	<u>\$ 38,148,291</u>

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

CITY OF FLORENCE, OREGON

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2017

	General	Streets	FURA General	Spruce Street LID Bond	City FURA Debt Service
ASSETS					
Cash and cash equivalents	\$ 1,894,712	\$ 637,318	\$ 1,019,288	\$ 548,075	\$ 400,012
Receivables:					
Accounts	149,168	272,948	-	-	-
Taxes	205,853	-	-	-	-
Assessments	140,065	17,338	-	1,185,571	-
Prepaid expenses	66,842	10,839	-	-	-
Notes receivable	-	45,464	-	-	-
Interfund loan receivable	-	-	-	-	3,227,292
Total assets	<u>\$ 2,456,640</u>	<u>\$ 983,907</u>	<u>\$ 1,019,288</u>	<u>\$ 1,733,646</u>	<u>\$ 3,627,304</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 102,307	\$ 165,777	\$ 62,512	\$ -	\$ -
Accrued payroll liabilities	163,942	-	-	-	-
Deposits payable	-	20,000	-	-	-
Interfund loan payable	-	-	-	-	-
Total liabilities	<u>266,249</u>	<u>185,777</u>	<u>62,512</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable revenues:					
Property taxes	196,211	-	-	-	-
Assessments	140,065	17,338	-	1,185,571	-
Notes receivable	-	45,464	-	-	-
Total deferred inflows of resources	<u>336,276</u>	<u>62,802</u>	<u>-</u>	<u>1,185,571</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Prepaid items	66,842	10,839	-	-	-
Advances to other funds	-	-	-	-	3,227,292
Restricted for:					
Public safety	-	-	-	-	-
Urban renewal projects	-	-	956,776	-	-
Tourism	-	-	-	-	-
Transportation	-	131,407	-	-	-
System development	-	593,082	-	-	-
Debt service payments	-	-	-	548,075	400,012
Unassigned	<u>1,787,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,854,115</u>	<u>735,328</u>	<u>956,776</u>	<u>548,075</u>	<u>3,627,304</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,456,640</u>	<u>\$ 983,907</u>	<u>\$ 1,019,288</u>	<u>\$ 1,733,646</u>	<u>\$ 3,627,304</u>

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

FURA Debt Service	Nonmajor Governmental Funds	Total
\$ 279,893	\$ 289,330	\$ 5,068,628
-	97,655	519,771
38,135	20,014	264,002
-	-	1,342,974
-	-	77,681
-	-	45,464
-	-	3,227,292
<u>\$ 318,028</u>	<u>\$ 406,999</u>	<u>\$ 10,545,812</u>

\$ -	\$ 14,115	\$ 344,711
-	-	163,942
-	-	20,000
<u>3,227,292</u>	<u>-</u>	<u>3,227,292</u>
<u>3,227,292</u>	<u>14,115</u>	<u>3,755,945</u>

36,723	19,002	251,936
-	-	1,342,974
-	-	45,464
<u>36,723</u>	<u>19,002</u>	<u>1,640,374</u>

-	-	77,681
-	-	3,227,292
-	159,991	159,991
-	-	956,776
-	69,466	69,466
-	-	131,407
-	-	593,082
281,305	144,425	1,373,817
<u>(3,227,292)</u>	<u>-</u>	<u>(1,440,019)</u>
<u>(2,945,987)</u>	<u>373,882</u>	<u>5,149,493</u>

<u>\$ 318,028</u>	<u>\$ 406,999</u>	<u>\$ 10,545,812</u>
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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, 2017

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

Fund balances - governmental funds		\$ 5,149,493
Receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,640,374
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
Nondepreciable assets	\$ 4,669,683	
Depreciable assets	23,019,707	
Accumulated depreciation	<u>(11,683,918)</u>	
		16,005,472
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(250,133)	
Accrued interest payable	(23,357)	
Long-term debt	<u>(7,920,232)</u>	
		<u>(8,193,722)</u>
Assets, liabilities, deferred inflows and deferred outflows related to the City's portion of the State-wide pension plan are not current resources or requirements and therefore are not reported in the funds:		
Deferred outflows of resources related to pensions	909,711	
Net pension liability	(2,671,885)	
Deferred inflows of resources related to pensions	<u>(144,878)</u>	
		<u>(1,907,052)</u>
Net position of governmental activities		<u>\$ 12,694,565</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, 2017

	General	Streets	FURA General	Spruce Street LID Bond	City FURA Debt Service
Revenues:					
Taxes	\$ 2,406,725	\$ -	\$ -	\$ -	\$ -
Franchise taxes	867,017	50,250	-	-	-
Intergovernmental	232,049	700,252	-	-	95,004
Grants and contributions	5,057	1,178,906	-	-	-
Charges for services	310,734	333,764	-	-	-
Licenses and fees	378,089	-	-	-	-
Fines and forfeits	205,114	-	-	-	-
Assessments	-	-	-	102,263	-
System development charges	-	95,454	-	-	-
Investment earnings	32,113	18,896	-	9,964	-
Other revenues	50,497	6,998	-	-	-
Total revenues	<u>4,487,395</u>	<u>2,384,520</u>	<u>-</u>	<u>112,227</u>	<u>95,004</u>
Expenditures:					
Current:					
General government	1,349,857	-	-	400	-
Public safety	2,252,592	-	-	-	-
Culture and recreation	124,600	-	-	-	-
Economic development	668,662	-	195,982	-	-
Highways and streets	-	322,250	-	-	-
Capital outlay	286,306	2,778,174	501,577	-	-
Debt service:					
Principal	53,335	173,028	-	50,000	72,696
Interest	13,757	43,485	-	46,155	95,004
Total expenditures	<u>4,749,109</u>	<u>3,316,937</u>	<u>697,559</u>	<u>96,555</u>	<u>167,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(261,714)</u>	<u>(932,417)</u>	<u>(697,559)</u>	<u>15,672</u>	<u>(72,696)</u>
Other Financing Sources (Uses):					
Transfers in	888,900	-	1,835,700	-	-
Transfers out	(666,000)	(267,800)	-	-	-
Loan proceeds	-	491,958	-	-	2,125,363
Total other financing sources (uses)	<u>222,900</u>	<u>224,158</u>	<u>1,835,700</u>	<u>-</u>	<u>2,125,363</u>
Net change in fund balances	(38,814)	(708,259)	1,138,141	15,672	2,052,667
Fund Balances:					
Beginning of year, as restated (see note IV.D.)	<u>1,892,929</u>	<u>1,443,587</u>	<u>(181,365)</u>	<u>532,403</u>	<u>1,574,637</u>
End of year	<u>\$ 1,854,115</u>	<u>\$ 735,328</u>	<u>\$ 956,776</u>	<u>\$ 548,075</u>	<u>\$ 3,627,304</u>

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

FURA Debt Service	Nonmajor Governmental Funds	Total
\$ 361,324	\$ 505,704	\$ 3,273,753
-	-	917,267
-	231,307	1,258,612
-	-	1,183,963
-	151,473	795,971
-	-	378,089
-	-	205,114
-	-	102,263
-	-	95,454
1,045	3,740	65,758
-	-	57,495
<u>362,369</u>	<u>892,224</u>	<u>8,333,739</u>
-	-	1,350,257
-	607,112	2,859,704
-	-	124,600
-	147,184	1,011,828
-	-	322,250
-	16,500	3,582,557
-	164,094	513,153
95,004	20,717	314,122
<u>95,004</u>	<u>955,607</u>	<u>10,078,471</u>
<u>267,365</u>	<u>(63,383)</u>	<u>(1,744,732)</u>
-	519,900	3,244,500
(1,835,700)	(345,500)	(3,115,000)
-	-	2,617,321
<u>(1,835,700)</u>	<u>174,400</u>	<u>2,746,821</u>
(1,568,335)	111,017	1,002,089
<u>(1,377,652)</u>	<u>262,865</u>	<u>4,147,404</u>
<u>\$ (2,945,987)</u>	<u>\$ 373,882</u>	<u>\$ 5,149,493</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, 2017

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

Net change in fund balances - governmental funds	\$ 1,002,089
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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	(10,099)
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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	\$ (41,311)
Accrued interest payable	5,671
Expenses related to pension obligations	<u>(734,884)</u>
	(770,524)

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	3,401,455
Current year depreciation	<u>(978,133)</u>
	2,423,322

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	(2,617,321)
Repayment of long-term debt	513,153
Amortization of premiums	<u>1,472</u>
	<u>(2,102,696)</u>

Change in net position of governmental activities	<u>\$ 542,092</u>
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CITY OF FLORENCE, OREGON
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2017

	Enterprise Funds						Internal Service
	Water	Wastewater	Stormwater	Airport	Events Center	Total	Public Works Admin
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 2,155,583	\$ 1,042,200	\$ 811,930	\$ 73,373	\$ 358,259	\$ 4,441,345	\$ 2,279,548
Accounts receivable, net	190,269	282,122	51,016	-	-	523,407	-
Inventory, at cost	60,532	16,882	-	17,177	-	94,591	-
Total current assets	<u>2,406,384</u>	<u>1,341,204</u>	<u>862,946</u>	<u>90,550</u>	<u>358,259</u>	<u>5,059,343</u>	<u>2,279,548</u>
Noncurrent assets:							
Notes receivable	6,814	68,418	16,370	-	-	91,602	-
Capital assets:							
Nondepreciable assets	1,227,549	964,692	585,748	1,365,074	270,224	4,413,287	1,637,676
Depreciable assets, net	6,856,693	15,366,052	1,251,304	1,295,511	1,885,021	26,654,581	-
Total noncurrent assets	<u>8,091,056</u>	<u>16,399,162</u>	<u>1,853,422</u>	<u>2,660,585</u>	<u>2,155,245</u>	<u>31,159,470</u>	<u>1,637,676</u>
Total assets	<u>10,497,440</u>	<u>17,740,366</u>	<u>2,716,368</u>	<u>2,751,135</u>	<u>2,513,504</u>	<u>36,218,813</u>	<u>3,917,224</u>
DEFERRED OUTFLOWS OF RESOURCES							
Related to pensions	37,280	98,016	7,061	-	73,675	216,032	128,647
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	52,107	63,847	5,283	37,049	12,578	170,864	248,135
Interest payable	7,452	18,525	639	-	-	26,616	8,761
Compensated absences	14,432	17,149	1,545	-	24,907	58,033	39,059
Current portion of long-term debt	106,207	1,059,875	15,014	-	-	1,181,096	124,743
Total current liabilities	180,198	1,159,396	22,481	37,049	37,485	1,436,609	420,698
Noncurrent liabilities:							
Net pension liability	109,494	287,878	20,737	-	216,390	634,499	377,843
Long-term debt	1,867,422	6,880,215	244,392	-	-	8,992,029	3,110,420
Total liabilities	<u>2,157,114</u>	<u>8,327,489</u>	<u>287,610</u>	<u>37,049</u>	<u>253,875</u>	<u>11,063,137</u>	<u>3,908,961</u>
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	5,938	15,609	1,124	-	11,733	34,404	20,488
NET POSITION							
Net investment in capital assets	6,110,613	8,390,654	1,577,646	2,660,585	2,155,245	20,894,743	(1,597,487)
Restricted for:							
System development	145,098	697,694	202,345	-	-	1,045,137	-
Events Center, nonexpendable	-	-	-	-	78,405	78,405	-
Unrestricted	2,115,957	406,936	654,704	53,501	87,921	3,319,019	1,713,909
Total net position	<u>\$ 8,371,668</u>	<u>\$ 9,495,284</u>	<u>\$ 2,434,695</u>	<u>\$ 2,714,086</u>	<u>\$ 2,321,571</u>	<u>25,337,304</u>	<u>\$ 116,422</u>
Reconciliation to Business-type Activities:							
Net position of internal service funds						116,422	
Net Position of Business-Type Activities						<u>\$ 25,453,726</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, 2017

	Enterprise Funds						Internal Service
	Water	Wastewater	Stormwater	Airport	Events Center	Total	Public Works Admin
Operating Revenues							
Charges for services	\$ 2,107,055	\$ 3,112,244	\$ 527,795	\$ 93,437	\$ 335,499	\$ 6,176,030	\$ 12,000
Other revenue	19,402	1,874	414	70,800	3,554	96,044	165
Total operating revenues	<u>2,126,457</u>	<u>3,114,118</u>	<u>528,209</u>	<u>164,237</u>	<u>339,053</u>	<u>6,272,074</u>	<u>12,165</u>
Operating Expenses							
Personal services	305,969	322,730	53,409	-	390,930	1,073,038	621,866
Materials and services	465,722	662,657	43,131	71,902	411,367	1,654,779	108,787
Depreciation	524,845	837,373	50,177	79,353	130,569	1,622,317	-
Total operating expenses	<u>1,296,536</u>	<u>1,822,760</u>	<u>146,717</u>	<u>151,255</u>	<u>932,866</u>	<u>4,350,134</u>	<u>730,653</u>
Operating income (loss)	<u>829,921</u>	<u>1,291,358</u>	<u>381,492</u>	<u>12,982</u>	<u>(593,813)</u>	<u>1,921,940</u>	<u>(718,488)</u>
Nonoperating Revenues (Expenses)							
Grants and contributions	-	-	-	-	126,208	126,208	-
Interest income	14,655	55,141	1,189	1,366	6,696	79,047	-
Interest expense	(44,977)	(152,433)	(2,152)	(1,138)	-	(200,700)	(53,869)
Total nonoperating revenues (expenses)	<u>(30,322)</u>	<u>(97,292)</u>	<u>(963)</u>	<u>228</u>	<u>132,904</u>	<u>4,555</u>	<u>(53,869)</u>
Income (loss) before contributions & transfers	799,599	1,194,066	380,529	13,210	(460,909)	1,926,495	(772,357)
Capital Contributions and Transfers							
System development charges	117,648	119,906	78,844	-	-	316,398	-
Capital contributions	-	-	-	-	181,101	181,101	-
Loan proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	25,000	298,600	323,600	849,300
Transfers out	(547,900)	(563,300)	(120,800)	(22,500)	(47,900)	(1,302,400)	-
Change in net position	369,347	750,672	338,573	15,710	(29,108)	1,445,194	76,943
Net Position:							
Beginning of year, as restated (see note IV.D.)	<u>8,002,321</u>	<u>8,744,612</u>	<u>2,096,122</u>	<u>2,698,376</u>	<u>2,350,679</u>		<u>39,479</u>
End of year	<u>\$ 8,371,668</u>	<u>\$ 9,495,284</u>	<u>\$ 2,434,695</u>	<u>\$ 2,714,086</u>	<u>\$ 2,321,571</u>		<u>\$ 116,422</u>
Reconciliation to Business-type Activities:							
Change in net position of internal service funds						<u>76,943</u>	
Change in Net Position of Business-Type Activities						<u>\$ 1,522,137</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, 2017

	Enterprise Funds					Total	Internal Service
	Water	Wastewater	Stormwater	Airport	Events Center		Public Works Admin
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 2,139,230	\$ 3,120,634	\$ 526,146	\$ 164,237	\$ 339,053	\$ 6,289,300	\$ 12,165
Payments to suppliers and contractors	(538,910)	(921,700)	(41,746)	(46,056)	(427,098)	(1,975,510)	132,822
Payments to employees	(308,460)	(326,808)	(62,280)	-	(321,467)	(1,019,015)	(456,897)
Net cash provided by (used in) operating activities	<u>1,291,860</u>	<u>1,872,126</u>	<u>422,120</u>	<u>118,181</u>	<u>(409,512)</u>	<u>3,294,775</u>	<u>(311,910)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	25,000	298,600	323,600	849,300
Transfers out	(547,900)	(563,300)	(120,800)	(22,500)	(47,900)	(1,302,400)	-
Net cash provided by (used in) noncapital financing activities	<u>(547,900)</u>	<u>(563,300)</u>	<u>(120,800)</u>	<u>2,500</u>	<u>250,700</u>	<u>(978,800)</u>	<u>849,300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
System development charges received	119,143	139,756	83,060	-	-	341,959	-
Acquisition of capital assets	(1,535,933)	(659,016)	(561,110)	-	(33,639)	(2,789,698)	(1,539,094)
Principal paid on debt	(97,642)	(1,024,516)	(14,239)	(48,472)	-	(1,184,869)	(64,837)
Interest paid on debt	(44,550)	(180,872)	(2,695)	(2,666)	-	(230,783)	(45,196)
Proceeds from debt issuance	1,390,721	-	-	-	-	1,390,721	3,291,958
Grants and contributions received	-	-	-	-	126,208	126,208	-
Net cash used in capital and related financing activities	<u>(168,261)</u>	<u>(1,724,648)</u>	<u>(494,984)</u>	<u>(51,138)</u>	<u>92,569</u>	<u>(2,346,462)</u>	<u>1,642,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	<u>14,655</u>	<u>55,141</u>	<u>1,189</u>	<u>1,366</u>	<u>6,696</u>	<u>79,047</u>	<u>-</u>
Net change in cash and cash equivalents	590,354	(360,681)	(192,475)	70,909	(59,547)	48,560	2,180,221
Cash and cash equivalents:							
Beginning of year	<u>1,565,229</u>	<u>1,402,881</u>	<u>1,004,405</u>	<u>2,464</u>	<u>417,806</u>	<u>4,392,785</u>	<u>99,327</u>
End of year	<u>\$ 2,155,583</u>	<u>\$ 1,042,200</u>	<u>\$ 811,930</u>	<u>\$ 73,373</u>	<u>\$ 358,259</u>	<u>\$ 4,441,345</u>	<u>\$ 2,279,548</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, 2017

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Water	Wastewater	Stormwater	Airport	Events Center	Total	Public Works Admin
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 829,921	\$ 1,291,358	\$ 381,492	\$ 12,982	\$ (593,813)	\$ 1,921,940	\$ (718,488)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	524,845	837,373	50,177	79,353	130,569	1,622,317	-
Net increase of expense under GASB 68	29,273	33,955	5,544	-	76,827	145,599	137,049
(Increase) decrease in assets:							
Receivables	12,773	6,516	(2,063)	-	-	17,226	-
Inventory	(2,466)	-	-	(9,598)	-	(12,064)	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	(70,722)	(259,043)	1,385	35,444	(15,731)	(308,667)	241,609
Payroll and related expenses	(31,764)	(38,033)	(14,415)	-	(7,364)	(91,576)	27,920
Net cash provided by (used in) operating activities	<u>\$ 1,291,860</u>	<u>\$ 1,872,126</u>	<u>\$ 422,120</u>	<u>\$ 118,181</u>	<u>\$ (409,512)</u>	<u>\$ 3,294,775</u>	<u>\$ (311,910)</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, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>45,990</u>
LIABILITIES	
Amount held for others	\$ <u>45,990</u>

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

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note I - Summary of Significant Accounting Policies

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and four-member council. As required by Generally Accepted Accounting Principles these financial statements present the 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 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, net outflows of resources, liabilities, and net 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 individual enterprise funds are reported in separate columns in the fund financial statements. Nonmajor 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, 2017

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.

- *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 a \$3.7 million Full Faith and Credit Obligation issued by the City and loaned to FURA. 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. 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, 2017

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.
- *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.
- *Events Center Operations.* This program reports activity from the following budgeted funds:
 - Events Center Operations Fund.* This fund is used to account for the activities financed and operated for the Florence Events Center.
 - Events Center Debt Service Fund.* This fund is used to account for the payment of the bonded debt incurred to construct the Events Center that opened its doors in 1996. The obligation was paid and the balance transferred to the Event Center Operations Fund.
- *Airport Operations.* This fund administers all airport operations for the City.

Additionally, the City 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 funds are used for tracking of activities for the Municipal Court and the Senior Center agency funds. 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, 2017

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). All other outstanding balances between funds are reported as "due to/from other funds."

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, 2017

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 are recorded at their estimated fair market value at the time received. 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, 2017.

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

Monthly depreciation is taken in the year the assets are acquired or retired. 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.

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.

A detailed description of deferred outflows and inflows of resources related to pensions and how they are calculated can be found in note III.F.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note I - Summary of Significant Accounting Policies, Continued

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

6. *Compensated Absences*

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, accumulated vested vacation pay 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, 2017

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.

Note II - Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law).

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.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note II - Stewardship, Compliance, and Accountability, Continued

A. Budgetary Information, Continued

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, 2017, expenditures exceeded appropriations as follows:

Fund	Appropriation Category	Amount
Street	Capital Outlay	\$ 218,174
Street	Debt Service	19,513
City FURA Debt Service	Debt Service	27,700
FURA Debt Service	Debt Service	39,900
911 Emergency	Personal services	9,531
Water	Debt service	1,492
Events Center	Materials and services	23,367
Events Center Debt Service	Transfers out	956
Public Works Admin	Debt service	33

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, 2017:

Cash on hand	\$ 1,100
Cash in bank	615,412
LGIP	11,140,594
Oregon Community Foundation	78,405
Total	<u>\$ 11,835,511</u>

Cash and investments are reported as follows:

Governmental activities	\$ 5,068,628
Business-type activities	6,720,893
Agency funds	45,990
Total	<u>\$ 11,835,511</u>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

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, 2017, 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, 2017:

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, 2017

Note III - Detailed Notes On All Funds, Continued

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 970,282	\$ -	\$ -	\$ -	\$ 970,282
Construction in progress	<u>389,073</u>	<u>3,310,328</u>	<u>-</u>	<u>-</u>	<u>3,699,401</u>
Total capital assets, not being depreciated	<u>1,359,355</u>	<u>3,310,328</u>	<u>-</u>	<u>-</u>	<u>4,669,683</u>
Capital assets, being depreciated:					
Buildings and improvements	8,704,715	-	-	-	8,704,715
Equipment and vehicles	2,586,477	91,128	-	-	2,677,605
Infrastructure	<u>11,637,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,637,388</u>
Total capital assets, being depreciated	<u>22,928,580</u>	<u>91,128</u>	<u>-</u>	<u>-</u>	<u>23,019,708</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,454,464)	(252,614)	-	-	(3,707,078)
Equipment and vehicles	(1,780,118)	(234,179)	-	-	(2,014,297)
Infrastructure	<u>(5,471,204)</u>	<u>(491,340)</u>	<u>-</u>	<u>-</u>	<u>(5,962,544)</u>
Total accumulated depreciation	<u>(10,705,786)</u>	<u>(978,133)</u>	<u>-</u>	<u>-</u>	<u>(11,683,919)</u>
Total capital assets, being depreciated, net	<u>12,222,794</u>	<u>(887,005)</u>	<u>-</u>	<u>-</u>	<u>11,335,789</u>
Governmental activities capital assets, net	<u>\$ 13,582,149</u>	<u>\$ 2,423,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,005,472</u>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

C. Capital Assets, Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,687,327	\$ 181,101	\$ -	\$ -	\$ 1,868,428
Construction in progress	949,102	3,471,996	-	(238,563)	4,182,535
	<u>2,636,429</u>	<u>3,653,097</u>	<u>-</u>	<u>(238,563)</u>	<u>6,050,963</u>
Total capital assets, not being depreciated					
Capital assets, being depreciated:					
Buildings and improvements	27,547,400	249,999	-	-	27,797,399
Utility systems	12,871,568	49,748	-	-	12,921,316
Equipment and vehicles	3,374,448	334,177	-	12,218	3,720,843
Infrastructure	7,873,181	222,872	-	226,345	8,322,398
	<u>51,666,597</u>	<u>856,796</u>	<u>-</u>	<u>238,563</u>	<u>52,761,956</u>
Total capital assets, being depreciated					
Less accumulated depreciation for:					
Buildings and improvements	(13,460,102)	(808,762)	-	-	(14,268,864)
Utility systems	(7,742,757)	(298,075)	-	-	(8,040,832)
Equipment and vehicles	(2,351,216)	(200,300)	-	-	(2,551,516)
Infrastructure	(930,983)	(315,180)	-	-	(1,246,163)
	<u>(24,485,058)</u>	<u>(1,622,317)</u>	<u>-</u>	<u>-</u>	<u>(26,107,375)</u>
Total accumulated depreciation					
Total capital assets, being depreciated, net	<u>27,181,539</u>	<u>(765,521)</u>	<u>-</u>	<u>238,563</u>	<u>26,654,581</u>
Business-type activities capital assets, net	<u>\$ 29,817,968</u>	<u>\$ 2,887,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,705,544</u>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

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:	
General government	\$ 92,983
Public safety	226,949
Culture and recreation	43,532
Economic development	24,051
Highways and streets	<u>590,618</u>
Total depreciation expense - governmental activities	<u>\$ 978,133</u>
Business-type activities:	
Water operations	\$ 524,845
Wastewater operations	837,373
Stormwater operations	50,177
Airport	79,353
Events Center	<u>130,569</u>
Total depreciation expense - business-type activities	<u>\$ 1,622,317</u>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

D. Interfund Receivables, Payables, and Transfers

Interfund Transfers

The interfund transfer activity for the year ended June 30, 2017 was as follows:

	Transfers In:						Totals
	General Fund	FURA General Fund	Nonmajor Governmental Funds	Airport	Events Center	Public Works Admin Fund	
Transfers Out:							
General Fund	\$ -	\$ -	\$ 519,900	\$25,000	\$ 80,000	\$ 41,100	\$ 666,000
Streets Program	105,500	-	-	-	-	162,300	267,800
FURA Debt Service	-	1,835,700	-	-	-	-	1,835,700
Nonmajor Governmental Funds	126,900	-	-	-	218,600	-	345,500
Water Operations	260,300	-	-	-	-	287,600	547,900
Wastewater Operations	269,000	-	-	-	-	294,300	563,300
Stormwater Operations	68,500	-	-	-	-	52,300	120,800
Airport	10,800	-	-	-	-	11,700	22,500
Events Center	47,900	-	-	-	-	-	47,900
Totals	\$ 888,900	\$ 1,835,700	\$ 519,900	\$25,000	\$298,600	\$349,300	\$ 4,417,400

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 Advances

The City entered into an intergovernmental agreement with the Florence Urban Renewal Agency (FURA), agreeing to draw \$3.7 million on its tax-exempt non-revolving line of credit with Banner Bank and loan the funds to FURA. Interest and principal are due to the City based upon the terms set forth by the Bank on the City's obligation. The funds were used by FURA to refinance existing debt and complete projects as described in the Florence Urban Renewal Plan.

The City established the City FURA Debt Service Fund to track the portion of the obligation FURA borrowed. At June 30, 2017 the FURA Debt Service Fund owed the City FURA Debt Service Fund \$3,227,292.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 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	\$ 3,173,387	\$ -	\$ (262,281)	\$ 2,911,106	\$ 264,711
Notes payable	261,470	-	(121,871)	139,599	88,125
Line of credit	<u>2,382,679</u>	<u>2,617,321</u>	<u>(130,473)</u>	<u>4,869,527</u>	<u>254,914</u>
Total long-term debt	5,817,536	2,617,321	(514,625)	7,920,232	607,750
Compensated absences	<u>208,822</u>	<u>250,133</u>	<u>(208,822)</u>	<u>250,133</u>	<u>250,133</u>
Governmental activities long-term liabilities	<u>\$ 6,026,358</u>	<u>\$ 2,867,454</u>	<u>\$ (723,447)</u>	<u>\$ 8,170,365</u>	<u>\$ 857,883</u>
Business-Type Activities:					
Bonds payable	\$ 4,985,611	\$ -	\$ (784,870)	\$ 4,200,741	\$ 800,822
Notes payable	4,899,367	-	(397,512)	4,501,855	323,574
Line of credit	<u>117,321</u>	<u>4,682,679</u>	<u>(94,308)</u>	<u>4,705,692</u>	<u>181,443</u>
Total long-term debt	10,002,299	4,682,679	(1,276,690)	13,408,288	1,305,839
Compensated absences	<u>126,693</u>	<u>97,092</u>	<u>(126,693)</u>	<u>97,092</u>	<u>97,092</u>
Business-type activities long-term liabilities	<u>\$ 10,128,992</u>	<u>\$ 4,779,771</u>	<u>\$ (1,403,383)</u>	<u>\$ 13,505,380</u>	<u>\$ 1,402,931</u>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities, Continued

Bonds outstanding at June 30, 2017 were as follows:

Purpose	Governmental Activities	Business- Type Activities
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 \$135,155.	\$ 456,503	\$ 3,668,653
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.	1,200,000	-
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 \$6,219.	434,131	532,088
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.	820,472	-
Total bonds outstanding	2,911,106	4,200,741
Less current portion	(264,711)	(800,822)
Long-term portion	\$ 2,646,395	\$ 3,399,919

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities, Continued

Notes payable outstanding at June 30, 2017 were as follows:

Purpose	Governmental Activities	Business- Type Activities
On November 26, 2012, the City received proceeds in the amount of \$595,000 from Siuslaw Bank to finance the purchase of vehicles and equipment. The government and business-type portions were \$340,000 and \$255,000, respectively. Loan principal and interest is payable semiannually at 3.5% through November 2017.	\$ 36,374	\$ 27,281
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.	103,225	63,196
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 \$7,200.	-	543,290
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.	-	3,868,088
Total notes outstanding	139,599	4,501,855
Less current portion	(88,125)	(323,574)
Long-term portion	\$ 51,474	\$ 4,178,281

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

E. Long-Term Liabilities, Continued

During 2017, the City amended its tax-exempt non-revolving line of credit with Banner Bank to increase the maximum limit to \$9,800,000. 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 line of credit 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 by the line of credit and their balances at June 30, 2017 were as follows:

Purpose	Governmental Activities	Business- Type Activities
<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 line of credit matures on December 1, 2026.	\$ 1,242,223	\$ -
<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 line of credit matures on December 1, 2036.	3,627,304	-
<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 line of credit matures on December 1, 2036.	-	1,470,529
<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 line of credit matures on December 1, 2036.	-	3,235,163
Total line of credit outstanding	4,869,527	4,705,692
Less current portion	(254,914)	(181,443)
Long-term portion	<u>\$ 4,614,613</u>	<u>\$ 4,524,249</u>

Annual debt service requirements to maturity for long-term debt at June 30, 2017 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 607,750	\$ 229,643	\$ 1,305,839	\$ 318,525
2019	584,199	213,456	1,301,483	286,334
2020	546,048	197,970	1,299,037	254,159
2021	562,207	188,575	1,323,005	211,992
2022	576,721	178,709	542,103	180,720
2023 - 2027	2,234,960	685,830	2,866,084	762,161
2028 - 2032	1,714,047	516,383	2,993,388	679,562
2033 - 2037	1,094,300	210,880	1,777,349	283,582
Total	<u>\$ 7,920,232</u>	<u>\$ 2,421,446</u>	<u>\$ 13,408,288</u>	<u>\$ 2,977,035</u>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

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.

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.

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.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

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. 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.

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, 2017

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, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$227,630 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 10.52 percent for Tier One/Tier Two General Service Member, 10.52 percent for Tier One/Tier Two Police and Fire, 3.67 percent for OPSRP Pension Program General Services, 7.78 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, 2017 the City reported a liability of \$3,684,227 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the City's proportion was 0.02733098 percent, which was a changed from its proportion measured as of June 30, 2015 of 0.02535152 percent.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

For the year ended June 30, 2017 the City recognized pension expense of \$1,017,532. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 178,171	\$ -
Change in assumptions	671,570	-
Net difference between projected and actual earnings on pension plan investments	37,957	-
Changes in proportionate share	167,002	80,670
Differences between City contributions and proportionate share of contributions	<u>2,016</u>	<u>119,100</u>
Subtotal before post-measurement date contributions	1,056,716	199,770
City contributions subsequent to the measurement date	<u>197,674</u>	-
Total	<u><u>\$ 1,254,390</u></u>	<u><u>\$ 199,770</u></u>

Deferred outflows of resources related to pensions of \$197,674 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, 2017. Net deferred outflows (inflows) of resources of \$856,946 will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>		
2018	\$	160,430
2019		458,788
2020		306,501
2021		(79,146)
2022		<u>10,373</u>
Total	\$	<u><u>856,946</u></u>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, and effective July 1, 2015 through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
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	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>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.</p>

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

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

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.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

Note III - Detailed Notes On All Funds, Continued

F. Pension Plans, Continued

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:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 6,278,595	\$ 3,684,227	\$ 1,514,854

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%, adding \$2.1 billion to the System's unfunded liability.

CITY OF FLORENCE, OREGON

Notes to the Financial Statements

June 30, 2017

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.

B. Contingencies Under Grant Provisions

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 Restatements

For the year ended June 30, 2016 the activity of the City FURA Debt Service Fund was reported as part of the General Fund. For the year ended June 30, 2017 the activity was reported in its own fund. This resulted in a reduction of beginning fund balance in the General Fund and an increase of beginning fund balance in the City FURA Debt Service fund of \$1,574,637.

For the year ended June 30, 2016 the collection of assessment payments had not been applied against revenue in the Spruce Street LID Bond Fund. To apply those payments, beginning fund balance for the year ended June 30, 2017 was increased by \$104,463.

Construction in progress was misstated at June 30, 2016 for the Water Program, Wastewater Program, and Public Works Admin Fund. Correction of the misstatements resulted in a decrease of \$19,671 to the Water Program net position, an increase of \$144,556 to the Wastewater Program net position, and an increase of \$98,582 to the Public Works Admin Fund net position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORENCE

Required Supplementary Information

June 30, 2017

Schedule of the Proportionate Share of the Net Pension Liability
Oregon Public Employees Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.02733098 %	0.02535152 %	0.03043630 %
Proportionate share of the net pension liability (asset)	\$ 3,684,227	\$ 1,567,653	\$ (539,197)
Covered payroll	\$ 3,076,294	\$ 3,235,082	\$ 3,015,599
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	119.76 %	48.46 %	(17.88)%
Plan net position as a percentage of the total pension liability	80.5 %	91.9 %	103.6 %

Schedule of Pension Contributions
Oregon Public Employees Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 227,630	\$ 239,728	\$ 228,397
Contributions in relation to the contractually required contribution	<u>227,630</u>	<u>239,728</u>	<u>228,397</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,076,294	\$ 3,235,082	\$ 3,015,599
Contributions as a percentage of covered employee payroll	7.40 %	7.41 %	7.57 %

Notes to Required Supplementary Information

Note I - Measurement Period

Amounts presented are for the measurement period reported during the fiscal year, which for FY 2017 is July 1, 2015 - June 30, 2016.

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/mercereports.aspx

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 2,477,600	\$ 2,477,600	\$ 2,406,725	\$ (70,875)
Franchise taxes	771,600	771,600	867,017	95,417
Intergovernmental	229,700	229,700	232,049	2,349
Grants and contributions	588,400	588,400	5,057	(583,343)
Charges for services	324,200	324,200	310,734	(13,466)
Licenses and fees	318,900	318,900	378,089	59,189
Fines and forfeits	205,000	205,000	205,114	114
Interest income	14,000	14,000	32,113	18,113
Other revenue	34,200	34,200	50,497	16,297
Total revenues	<u>4,963,600</u>	<u>4,963,600</u>	<u>4,487,395</u>	<u>(476,205)</u>
Expenditures:				
Police Department	2,195,400	2,195,400	2,006,088	189,312
Community Development	672,500	700,000	668,662	31,338
Parks	126,700	145,000	124,600	20,400
Municipal Court	279,500	279,500	246,504	32,996
Administrative	1,150,800	1,150,800	1,119,212	31,588
City Hall	97,700	100,000	99,913	87
Non-departmental	129,500	133,000	130,731	2,269
Capital outlay	1,042,000	1,222,000	286,306	935,694
Debt service	67,600	67,600	67,093	507
Contingency	645,000	413,400	-	413,400
Total expenditures	<u>6,406,700</u>	<u>6,406,700</u>	<u>4,749,109</u>	<u>1,657,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,443,100)</u>	<u>(1,443,100)</u>	<u>(261,714)</u>	<u>1,181,386</u>
Other Financing Sources (Uses):				
Transfers in	888,900	888,900	888,900	-
Transfers out	(686,000)	(686,000)	(666,000)	20,000
Loan proceeds	400,000	400,000	-	(400,000)
Total other financing sources (uses)	<u>602,900</u>	<u>602,900</u>	<u>222,900</u>	<u>(380,000)</u>
Net change in fund balance	(840,200)	(840,200)	(38,814)	801,386
Fund Balance:				
Beginning of year	<u>1,854,471</u>	<u>1,854,471</u>	<u>1,892,929</u>	<u>38,458</u>
End of year	<u>\$ 1,014,271</u>	<u>\$ 1,014,271</u>	<u>\$ 1,854,115</u>	<u>\$ 839,844</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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Franchise taxes	\$ 54,000	\$ 54,000	\$ 50,250	\$ (3,750)
Intergovernmental	589,100	589,100	700,252	111,152
Grants and contributions	940,000	940,000	1,178,906	238,906
Charges for services	351,200	351,200	333,764	(17,436)
Interest income	2,000	2,000	2,473	473
Other revenue	-	-	6,998	6,998
Total revenues	<u>1,936,300</u>	<u>1,936,300</u>	<u>2,272,643</u>	<u>336,343</u>
Expenditures:				
Personal services	67,700	68,700	68,459	241
Materials and services	263,200	275,000	253,131	21,869
Capital outlay	2,382,800	2,560,000	2,778,174	(218,174)
Debt service	176,800	197,000	216,513	(19,513)
Contingency	340,048	129,848	-	129,848
Total expenditures	<u>3,230,548</u>	<u>3,230,548</u>	<u>3,316,277</u>	<u>(85,729)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,294,248)</u>	<u>(1,294,248)</u>	<u>(1,043,634)</u>	<u>250,614</u>
Other Financing Sources (Uses):				
Transfers in	550,000	550,000	550,000	-
Transfers out	(267,800)	(267,800)	(267,800)	-
Loan proceeds	500,000	500,000	491,958	(8,042)
Total other financing sources (uses)	<u>782,200</u>	<u>782,200</u>	<u>774,158</u>	<u>(8,042)</u>
Net change in fund balance	(512,048)	(512,048)	(269,476)	242,572
Fund Balance:				
Beginning of year	<u>512,048</u>	<u>512,048</u>	<u>411,722</u>	<u>(100,326)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>142,246</u>	<u>\$ 142,246</u>
Reconciliation to GAAP Basis:				
Street System Development Fund fund balance			<u>593,082</u>	
GAAP Fund Balance - End of Year			<u>\$ 735,328</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
System development charges	\$ 36,000	\$ 36,000	\$ 95,454	\$ 59,454
Interest income	<u>6,500</u>	<u>6,500</u>	<u>16,423</u>	<u>9,923</u>
Total revenues	<u>42,500</u>	<u>42,500</u>	<u>111,877</u>	<u>69,377</u>
Expenditures:				
Materials and services	6,000	6,000	890	5,110
Contingency	<u>417,142</u>	<u>417,142</u>	<u>-</u>	<u>417,142</u>
Total expenditures	<u>423,142</u>	<u>423,142</u>	<u>890</u>	<u>422,252</u>
Excess (deficiency) of revenues over (under) expenditures	(380,642)	(380,642)	110,987	491,629
Other Financing Sources (Uses):				
Transfers out	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>-</u>
Net change in fund balance	(930,642)	(930,642)	(439,013)	491,629
Fund Balance:				
Beginning of year	<u>930,642</u>	<u>930,642</u>	<u>1,032,095</u>	<u>101,453</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>593,082</u>	<u>\$ 593,082</u>
Reconciliation to GAAP Basis:				
Transfer fund balance to Street Fund			<u>(593,082)</u>	
GAAP Fund Balance - End of Year			<u>\$ -</u>	

CITY OF FLORENCE, OREGON
FLORENCE URBAN RENEWAL AGENCY
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Intergovernmental	\$ -	\$ 500,000	\$ -	\$ (500,000)
Interest income	1,000	1,000	-	(1,000)
Total revenues	<u>1,000</u>	<u>501,000</u>	<u>-</u>	<u>(501,000)</u>
Expenditures:				
Materials and services	249,300	249,300	195,982	53,318
Capital outlay	1,300,000	1,900,000	501,577	1,398,423
Contingency	352,170	252,170	-	252,170
Total expenditures	<u>1,901,470</u>	<u>2,401,470</u>	<u>697,559</u>	<u>1,703,911</u>
Excess (deficiency) of revenues over (under) expenditures	(1,900,470)	(1,900,470)	(697,559)	1,202,911
Other Financing Sources (Uses):				
Loan proceeds	<u>1,725,351</u>	<u>1,725,351</u>	<u>1,725,351</u>	<u>-</u>
Net change in fund balance	(175,119)	(175,119)	1,027,792	1,202,911
Fund Balance:				
Beginning of year	<u>175,119</u>	<u>175,119</u>	<u>(71,016)</u>	<u>(246,135)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 956,776</u>	<u>\$ 956,776</u>
Reconciliation to GAAP Basis:				
Unavailable revenues - notes receivable			-	
Interfund receivable (payable)			-	
GAAP Fund Balance - End of Year			<u>\$ 956,776</u>	
HIDE ROW	-	-	956,776	956,776
Per Budget resolution	1,901,470			

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Assessments	\$ 33,000	\$ 33,000	\$ 102,263	\$ 69,263
Interest income	2,000	2,000	9,964	7,964
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>112,227</u>	<u>77,227</u>
Expenditures:				
Materials and services	400	400	400	-
Debt service	96,200	96,200	96,155	45
Contingency	404,142	404,142	-	404,142
Total expenditures	<u>500,742</u>	<u>500,742</u>	<u>96,555</u>	<u>404,187</u>
Net change in fund balance	(465,742)	(465,742)	15,672	481,414
Fund Balance:				
Beginning of year, as restated	<u>465,742</u>	<u>465,742</u>	<u>532,403</u>	<u>66,661</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,075</u>	<u>\$ 548,075</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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Intergovernmental	\$ 127,800	\$ 140,000	\$ 167,700	\$ 27,700
Total revenues	<u>127,800</u>	<u>140,000</u>	<u>167,700</u>	<u>27,700</u>
Expenditures:				
Materials and services	1,725,351	1,725,351	1,725,351	-
Debt service	<u>127,800</u>	<u>140,000</u>	<u>167,700</u>	<u>(27,700)</u>
Total expenditures	<u>1,853,151</u>	<u>1,865,351</u>	<u>1,893,051</u>	<u>(27,700)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,725,351)	(1,725,351)	(1,725,351)	-
Other Financing Sources (Uses):				
Loan proceeds	<u>1,725,351</u>	<u>1,725,351</u>	<u>2,125,363</u>	<u>400,012</u>
Net change in fund balance	-	-	400,012	400,012
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	400,012	<u>\$ 400,012</u>
Reconciliation to GAAP Basis:				
Interfund receivable (payable)			<u>3,227,292</u>	
GAAP Fund Balance - End of Year			<u>\$ 3,627,304</u>	

CITY OF FLORENCE, OREGON
FLORENCE URBAN RENEWAL AGENCY DEBT SERVICE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 363,600	\$ 363,600	\$ 361,324	\$ (2,276)
Interest income	<u>1,000</u>	<u>1,000</u>	<u>1,045</u>	<u>45</u>
Total revenues	<u>364,600</u>	<u>364,600</u>	<u>362,369</u>	<u>(2,231)</u>
Expenditures:				
Interfund advance repayments	127,800	127,800	167,700	(39,900)
Contingency	<u>272,149</u>	<u>272,149</u>	<u>-</u>	<u>272,149</u>
Total expenditures	<u>399,949</u>	<u>399,949</u>	<u>167,700</u>	<u>232,249</u>
Net change in fund balance	(35,349)	(35,349)	194,669	230,018
Fund Balance:				
Beginning of year	<u>35,349</u>	<u>35,349</u>	<u>86,636</u>	<u>51,287</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>281,305</u>	<u>\$ 281,305</u>
Reconciliation to GAAP Basis:				
Interfund receivable (payable)			<u>(3,227,292)</u>	
GAAP Fund Balance - End of Year			<u>\$ (2,945,987)</u>	

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:

911 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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2017

	<u>Special Revenue</u>		<u>Debt Service</u>	
	9-1-1		General	
	Emergency	Room Tax	Obligation	
	<u>Fund</u>	<u>Fund</u>	<u>Bond Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 135,488	\$ 10,429	\$ 143,413	\$ 289,330
Receivables:				
Accounts	25,084	72,571	-	97,655
Taxes	-	-	20,014	20,014
Total assets	<u>\$ 160,572</u>	<u>\$ 83,000</u>	<u>\$ 163,427</u>	<u>\$ 406,999</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 581	\$ 13,534	\$ -	\$ 14,115
Deferred Inflows of Resources:				
Unavailable revenues:				
Property taxes	-	-	19,002	19,002
Fund Balances:				
Restricted for:				
Public safety	159,991	-	-	159,991
Tourism	-	69,466	-	69,466
Debt service payments	-	-	144,425	144,425
Total fund balances	<u>159,991</u>	<u>69,466</u>	<u>144,425</u>	<u>373,882</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 160,572</u>	<u>\$ 83,000</u>	<u>\$ 163,427</u>	<u>\$ 406,999</u>

CITY OF FLORENCE, OREGON
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

	<u>Special Revenue</u>		<u>Debt Service</u>	
	9-1-1 Emergency Fund	Room Tax Fund	General Obligation Bond Fund	Total
Revenues:				
Taxes	\$ -	\$ 352,748	\$ 152,956	\$ 505,704
Intergovernmental	231,307	-	-	231,307
Charges for services	151,473	-	-	151,473
Investment earnings	271	-	3,469	3,740
Total revenues	<u>383,051</u>	<u>352,748</u>	<u>156,425</u>	<u>892,224</u>
Expenditures:				
Current:				
Public safety	607,112	-	-	607,112
Economic development	-	147,184	-	147,184
Capital outlay	16,500	-	-	16,500
Debt service:				
Principal	-	-	164,094	164,094
Interest	-	-	20,717	20,717
Total expenditures	<u>623,612</u>	<u>147,184</u>	<u>184,811</u>	<u>955,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(240,561)</u>	<u>205,564</u>	<u>(28,386)</u>	<u>(63,383)</u>
Other Financing Sources (Uses):				
Transfers in	519,900	-	-	519,900
Transfers out	<u>(126,900)</u>	<u>(218,600)</u>	<u>-</u>	<u>(345,500)</u>
Total other financing sources (uses)	<u>393,000</u>	<u>(218,600)</u>	<u>-</u>	<u>174,400</u>
Net change in fund balances	152,439	(13,036)	(28,386)	111,017
Fund Balances:				
Beginning of year	<u>7,552</u>	<u>82,502</u>	<u>172,811</u>	<u>262,865</u>
End of year	<u>\$ 159,991</u>	<u>\$ 69,466</u>	<u>\$ 144,425</u>	<u>\$ 373,882</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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Intergovernmental	\$ 215,000	\$ 215,000	\$ 231,307	\$ 16,307
Charges for services	157,800	157,800	151,473	(6,327)
Interest income	-	-	271	271
Total revenues	<u>372,800</u>	<u>372,800</u>	<u>383,051</u>	<u>10,251</u>
Expenditures:				
Personal services	531,100	536,100	545,631	(9,531)
Materials and services	80,900	75,900	61,481	14,419
Capital outlay	16,800	16,800	16,500	300
Contingency	137,000	137,000	-	137,000
Total expenditures	<u>765,800</u>	<u>765,800</u>	<u>623,612</u>	<u>142,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(393,000)</u>	<u>(393,000)</u>	<u>(240,561)</u>	<u>152,439</u>
Other Financing Sources (Uses):				
Transfers in	519,900	519,900	519,900	-
Transfers out	<u>(126,900)</u>	<u>(126,900)</u>	<u>(126,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>393,000</u>	<u>393,000</u>	<u>393,000</u>	<u>-</u>
Net change in fund balance	-	-	152,439	152,439
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>7,552</u>	<u>7,552</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,991</u>	<u>\$ 159,991</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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 364,400	\$ 364,400	\$ 352,748	\$ (11,652)
Expenditures:				
Materials and services	145,800	151,000	147,184	3,816
Contingency	60,173	54,973	-	54,973
Total expenditures	<u>205,973</u>	<u>205,973</u>	<u>147,184</u>	<u>58,789</u>
Excess (deficiency) of revenues over (under) expenditures	158,427	158,427	205,564	47,137
Other Financing Sources (Uses):				
Transfers out	<u>(218,600)</u>	<u>(218,600)</u>	<u>(218,600)</u>	<u>-</u>
Net change in fund balance	(60,173)	(60,173)	(13,036)	47,137
Fund Balance:				
Beginning of year	<u>60,173</u>	<u>60,173</u>	<u>82,502</u>	<u>22,329</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,466</u>	<u>\$ 69,466</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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 151,000	\$ 151,000	\$ 152,956	\$ 1,956
Interest income	500	500	3,468	2,968
Total revenues	<u>151,500</u>	<u>151,500</u>	<u>156,424</u>	<u>4,924</u>
Expenditures:				
Debt service	<u>184,869</u>	<u>184,869</u>	<u>184,811</u>	<u>58</u>
Net change in fund balance	(33,369)	(33,369)	(28,387)	4,982
Fund Balance:				
Beginning of year	<u>170,583</u>	<u>170,583</u>	<u>172,812</u>	<u>2,229</u>
End of year	<u>\$ 137,214</u>	<u>\$ 137,214</u>	<u>\$ 144,425</u>	<u>\$ 7,211</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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 2,142,900	\$ 2,142,900	\$ 2,107,055	\$ (35,845)
Other revenue	8,500	8,500	19,402	10,902
Total revenues	<u>2,151,400</u>	<u>2,151,400</u>	<u>2,126,457</u>	<u>(24,943)</u>
Expenditures:				
Personal services	347,000	347,000	301,357	45,643
Materials and services	524,600	524,600	465,964	58,636
Capital outlay	2,225,000	2,225,000	1,535,933	689,067
Debt service	117,431	140,700	142,192	(1,492)
Contingency	1,208,717	1,185,448	-	1,185,448
Total expenditures	<u>4,422,748</u>	<u>4,422,748</u>	<u>2,445,446</u>	<u>1,977,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,271,348)</u>	<u>(2,271,348)</u>	<u>(318,989)</u>	<u>1,952,359</u>
Other Financing Sources (Uses):				
Transfers in	300,000	300,000	300,000	-
Transfers out	(547,900)	(547,900)	(547,900)	-
Loan proceeds	1,400,000	1,400,000	1,390,721	(9,279)
Total other financing sources (uses)	<u>1,152,100</u>	<u>1,152,100</u>	<u>1,142,821</u>	<u>(9,279)</u>
Net change in fund balance	(1,119,248)	(1,119,248)	823,832	1,943,080
Fund Balance:				
Beginning of year	<u>1,119,248</u>	<u>1,119,248</u>	<u>1,331,629</u>	<u>212,381</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>2,155,461</u>	<u>\$ 2,155,461</u>
Reconciliation to GAAP Basis:				
Water System Development Fund fund balance			138,284	
Capital assets			8,084,242	
Inventory			60,532	
Accrued interest payable			(7,452)	
Compensated absences			(14,432)	
Long-term debt			(1,973,629)	
Unavailable revenues - notes receivable			6,814	
Net pension asset (liability)			(109,494)	
Deferred outflow (inflow) related to pensions			31,342	
GAAP Net Position - End of Year			<u>\$ 8,371,668</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest income	\$ 2,000	\$ 2,000	\$ 14,655	\$ 12,655
System development charges	<u>99,000</u>	<u>99,000</u>	<u>119,143</u>	<u>20,143</u>
Total revenues	<u>101,000</u>	<u>101,000</u>	<u>133,798</u>	<u>32,798</u>
Expenditures:				
Materials and services	2,500	2,500	2,224	276
Contingency	<u>87,357</u>	<u>87,357</u>	<u>-</u>	<u>87,357</u>
Total expenditures	<u>89,857</u>	<u>89,857</u>	<u>2,224</u>	<u>87,633</u>
Excess (deficiency) of revenues over (under) expenditures	11,143	11,143	131,574	120,431
Other Financing Sources (Uses):				
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	(288,857)	(288,857)	(168,426)	120,431
Fund Balance:				
Beginning of year	<u>288,857</u>	<u>288,857</u>	<u>306,710</u>	<u>17,853</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>138,284</u>	<u>\$ 138,284</u>
Reconciliation to GAAP Basis:				
Transfer fund balance to Water Fund			<u>(138,284)</u>	
GAAP Net Position - End of Year			<u>\$ -</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 3,694,000	\$ 3,694,000	\$ 3,112,244	\$ (581,756)
Interest income	2,500	2,500	48,517	46,017
Other revenue	500	500	1,874	1,374
Total revenues	<u>3,697,000</u>	<u>3,697,000</u>	<u>3,162,635</u>	<u>(534,365)</u>
Expenditures:				
Personal services	320,300	330,300	319,856	10,444
Materials and services	652,500	662,500	660,432	2,068
Capital outlay	1,706,000	1,706,000	659,017	1,046,983
Debt service	1,206,889	1,206,889	1,205,388	1,501
Contingency	265,398	245,398	-	245,398
Total expenditures	<u>4,151,087</u>	<u>4,151,087</u>	<u>2,844,693</u>	<u>1,306,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(454,087)</u>	<u>(454,087)</u>	<u>317,942</u>	<u>772,029</u>
Other Financing Sources (Uses):				
Transfers in	280,700	280,700	83,200	(197,500)
Transfers out	<u>(563,300)</u>	<u>(563,300)</u>	<u>(563,300)</u>	<u>-</u>
Total other financing sources (uses)	<u>(282,600)</u>	<u>(282,600)</u>	<u>(480,100)</u>	<u>(197,500)</u>
Net change in fund balance	(736,687)	(736,687)	(162,158)	574,529
Fund Balance:				
Beginning of year	<u>736,687</u>	<u>736,687</u>	<u>793,357</u>	<u>56,670</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	631,199	<u>\$ 631,199</u>
Reconciliation to GAAP Basis:				
Wastewater System Development Fund fund balance			629,276	
Capital assets			16,330,744	
Inventory			16,882	
Accrued interest payable			(18,525)	
Compensated absences			(17,149)	
Long-term debt			(7,940,090)	
Unavailable revenues - notes receivable			68,418	
Net pension asset (liability)			(287,878)	
Deferred outflow (inflow) related to pensions			82,407	
GAAP Net Position - End of Year			<u>\$ 9,495,284</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest income	\$ 2,000	\$ 2,000	\$ 6,624	\$ 4,624
System development charges	<u>100,000</u>	<u>100,000</u>	<u>139,756</u>	<u>39,756</u>
Total revenues	<u>102,000</u>	<u>102,000</u>	<u>146,380</u>	<u>44,380</u>
Expenditures:				
Materials and services	2,500	2,500	2,224	276
Capital outlay	2,500	2,500	-	2,500
Contingency	<u>365,572</u>	<u>365,572</u>	<u>-</u>	<u>365,572</u>
Total expenditures	<u>370,572</u>	<u>370,572</u>	<u>2,224</u>	<u>368,348</u>
Excess (deficiency) of revenues over (under) expenditures	(268,572)	(268,572)	144,156	412,728
Other Financing Sources (Uses):				
Transfers out	<u>(280,700)</u>	<u>(280,700)</u>	<u>(83,200)</u>	<u>197,500</u>
Net change in fund balance	(549,272)	(549,272)	60,956	610,228
Fund Balance:				
Beginning of year	<u>549,272</u>	<u>549,272</u>	<u>568,320</u>	<u>19,048</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>629,276</u>	<u>\$ 629,276</u>
Reconciliation to GAAP Basis:				
Transfer fund balance to Wastewater Fund			<u>(629,276)</u>	
GAAP Net Position - End of Year			<u>\$ -</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 527,300	\$ 527,300	\$ 527,795	\$ 495
Interest income	1,500	1,500	-	(1,500)
Other revenue	-	-	414	414
Total revenues	<u>528,800</u>	<u>528,800</u>	<u>528,209</u>	<u>(591)</u>
Expenditures:				
Personal services	67,300	67,300	60,846	6,454
Materials and services	66,900	66,900	42,242	24,658
Capital outlay	645,000	645,000	561,109	83,891
Debt service	17,000	17,000	16,934	66
Contingency	163,700	163,700	-	163,700
Total expenditures	<u>959,900</u>	<u>959,900</u>	<u>681,131</u>	<u>278,769</u>
Excess (deficiency) of revenues over (under) expenditures	(431,100)	(431,100)	(152,922)	278,178
Other Financing Sources (Uses):				
Transfers out	<u>(120,800)</u>	<u>(120,800)</u>	<u>(120,800)</u>	<u>-</u>
Net change in fund balance	(551,900)	(551,900)	(273,722)	278,178
Fund Balance:				
Beginning of year	<u>906,758</u>	<u>906,758</u>	<u>945,410</u>	<u>38,652</u>
End of year	<u>\$ 354,858</u>	<u>\$ 354,858</u>	671,688	<u>\$ 316,830</u>
Reconciliation to GAAP Basis:				
Stormwater System Development Fund fund balance			185,975	
Capital assets			1,837,052	
Accrued interest payable			(639)	
Compensated absences			(1,545)	
Long-term debt			(259,406)	
Unavailable revenues - notes receivable			16,370	
Net pension asset (liability)			(20,737)	
Deferred outflow (inflow) related to pensions			<u>5,937</u>	
GAAP Net Position - End of Year			<u>\$ 2,434,695</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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest income	\$ 1,500	\$ 1,500	\$ 1,189	\$ (311)
System development charges	<u>50,000</u>	<u>50,000</u>	<u>83,060</u>	<u>33,060</u>
Total revenues	<u>51,500</u>	<u>51,500</u>	<u>84,249</u>	<u>32,749</u>
Expenditures:				
Materials and services	41,000	41,000	890	40,110
Contingency	<u>106,327</u>	<u>76,327</u>	<u>-</u>	<u>76,327</u>
Total expenditures	<u>147,327</u>	<u>117,327</u>	<u>890</u>	<u>116,437</u>
Excess (deficiency) of revenues over (under) expenditures	(95,827)	(65,827)	83,359	149,186
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balance	(95,827)	(95,827)	83,359	179,186
Fund Balance:				
Beginning of year	<u>95,827</u>	<u>95,827</u>	<u>102,616</u>	<u>6,789</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>185,975</u>	<u>\$ 185,975</u>
Reconciliation to GAAP Basis:				
Transfer fund balance to Stormwater Fund			<u>(185,975)</u>	
GAAP Net Position - End of Year			<u>\$ -</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 117,700	\$ 117,700	\$ 93,437	\$ (24,263)
Grants and contributions	19,000	19,000	-	(19,000)
Interest income	100	100	1,366	1,266
Other revenue	-	-	70,800	70,800
Total revenues	<u>136,800</u>	<u>136,800</u>	<u>165,603</u>	<u>28,803</u>
Expenditures:				
Materials and services	85,000	85,000	71,902	13,098
Capital outlay	20,000	20,000	-	20,000
Debt service	51,200	51,200	51,138	62
Contingency	3,527	3,527	-	3,527
Total expenditures	<u>159,727</u>	<u>159,727</u>	<u>123,040</u>	<u>36,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,927)</u>	<u>(22,927)</u>	<u>42,563</u>	<u>65,490</u>
Other Financing Sources (Uses):				
Transfers in	45,000	45,000	25,000	(20,000)
Transfers out	<u>(22,500)</u>	<u>(22,500)</u>	<u>(22,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>22,500</u>	<u>22,500</u>	<u>2,500</u>	<u>(20,000)</u>
Net change in fund balance	(427)	(427)	45,063	45,490
Fund Balance:				
Beginning of year	<u>427</u>	<u>427</u>	<u>8,438</u>	<u>8,011</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>53,501</u>	<u>\$ 53,501</u>
Reconciliation to GAAP Basis:				
Capital assets			<u>2,660,585</u>	
GAAP Net Position - End of Year			<u>\$ 2,714,086</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 362,000	\$ 362,000	\$ 335,499	\$ (26,501)
Grants and contributions	110,500	110,500	126,208	15,708
Interest income	1,000	1,000	6,696	5,696
Other revenue	<u>30,000</u>	<u>30,000</u>	<u>3,554</u>	<u>(26,446)</u>
Total revenues	<u>503,500</u>	<u>503,500</u>	<u>471,957</u>	<u>(31,543)</u>
Expenditures:				
Personal services	326,000	326,000	314,040	11,960
Materials and services	388,000	388,000	411,367	(23,367)
Capital outlay	102,500	102,500	33,639	68,861
Contingency	<u>253,875</u>	<u>253,875</u>	<u>-</u>	<u>253,875</u>
Total expenditures	<u>1,070,375</u>	<u>1,070,375</u>	<u>759,046</u>	<u>311,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(566,875)</u>	<u>(566,875)</u>	<u>(287,089)</u>	<u>279,786</u>
Other Financing Sources (Uses):				
Transfers in	300,900	300,900	299,556	(1,344)
Transfers out	<u>(47,900)</u>	<u>(47,900)</u>	<u>(47,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>253,000</u>	<u>253,000</u>	<u>251,656</u>	<u>(1,344)</u>
Net change in fund balance	(313,875)	(313,875)	(35,433)	278,442
Fund Balance:				
Beginning of year	<u>392,880</u>	<u>392,880</u>	<u>381,114</u>	<u>(11,766)</u>
End of year	<u>\$ 79,005</u>	<u>\$ 79,005</u>	<u>345,681</u>	<u>\$ 266,676</u>
Reconciliation to GAAP Basis:				
Capital assets			2,155,245	
Compensated absences			(24,907)	
Net pension asset (liability)			(216,390)	
Deferred outflow (inflow) related to pensions			<u>61,942</u>	
GAAP Net Position - End of Year			<u>\$ 2,321,571</u>	

CITY OF FLORENCE, OREGON
EVENTS CENTER DEBT SERVICE FUND
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance
Other Financing Sources (Uses):				
Transfers out	\$ -	\$ -	\$ (956)	\$ (956)
Net change in fund balance	-	-	(956)	(956)
Fund Balance:				
Beginning of year	-	-	956	956
End of year	\$ -	\$ -	\$ -	\$ -

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, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 18,400	\$ 18,400	\$ 12,000	\$ (6,400)
Other revenue	-	-	165	165
Total revenues	<u>18,400</u>	<u>18,400</u>	<u>12,165</u>	<u>(6,235)</u>
Expenditures:				
Personal services	531,700	491,000	445,758	45,242
Materials and services	102,400	110,000	108,787	1,213
Capital outlay	3,324,800	3,324,800	1,539,094	1,785,706
Debt service	76,900	110,000	110,033	(33)
Contingency	211,887	211,887	-	211,887
Total expenditures	<u>4,247,687</u>	<u>4,247,687</u>	<u>2,203,672</u>	<u>2,044,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,229,287)</u>	<u>(4,229,287)</u>	<u>(2,191,507)</u>	<u>2,037,780</u>
Other Financing Sources (Uses):				
Transfers in	849,300	849,300	849,300	-
Loan proceeds	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,291,958</u>	<u>(8,042)</u>
Total other financing sources (uses)	<u>4,149,300</u>	<u>4,149,300</u>	<u>4,141,258</u>	<u>(8,042)</u>
Net change in fund balance	(79,987)	(79,987)	1,949,751	2,029,738
Fund Balance:				
Beginning of year	<u>79,987</u>	<u>79,987</u>	<u>81,662</u>	<u>1,675</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>2,031,413</u>	<u>\$ 2,031,413</u>
Reconciliation to GAAP Basis:				
Capital assets			1,637,676	
Accrued interest payable			(8,761)	
Compensated absences			(39,059)	
Long-term debt			(3,235,163)	
Net pension asset (liability)			(377,843)	
Deferred outflow (inflow) related to pensions			<u>108,159</u>	
GAAP Net Position - End of Year			<u>\$ 116,422</u>	

AGENCY FUNDS

City of Florence, Oregon

AGENCY FUNDS

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2017

	<u>Balances</u> July 1, 2016	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> June 30, 2017
Municipal Court Agency Fund				
ASSETS				
Cash and investments	\$ 46,522	\$ 264,998	\$ (265,530)	\$ 45,990
LIABILITIES				
Amounts held for others	\$ 46,522	\$ 264,998	\$ (265,530)	\$ 45,990
Senior Center Trust & Agency Fund				
ASSETS				
Cash and investments	\$ 750	\$ 250	\$ (1,000)	\$ -
LIABILITIES				
Amounts held for others	\$ 750	\$ 250	\$ (1,000)	\$ -
Totals - All Agency Funds				
ASSETS				
Cash and investments	\$ 47,272	\$ 265,248	\$ (266,530)	\$ 45,990
LIABILITIES				
Amounts held for others	\$ 47,272	\$ 265,248	\$ (266,530)	\$ 45,990

COMPLIANCE SECTION



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COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE STATUE

Honorable Mayor and City Commission
City of Warrenton, Oregon

We have audited the basic financial statements of the City of Florence, Oregon ("City") as of and for the year ended June 30, 2017, and have issued our report thereon dated July 12, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the 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. Adopted, budgeted resources did not agree to expenditures for Water SDC and Airport funds in the FY2018 budget document.
3. 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

July 12, 2018