

# WILLAMINA, OREGON

Annual Financial Report

For the Year Ended June 30, 2016

CITY OF WILLAMINA  
Officers and Members of the City Council  
June 30, 2016

| <u>MAYOR</u>  | <u>Term Expires<br/>December 31,</u> |
|---|--------------------------------------|
| Ila Skyberg<br>411 "C" Street<br>Willamina, OR 97396  | 2016                                 |
| <br><u>CITY COUNCIL</u>                               |                                      |
| Rita Baller<br>PO Box 646<br>Willamina, OR 97396      | 2016                                 |
| Robert Burr<br>PO Box 467<br>Willamina, OR 97396      | 2016                                 |
| Heather Stritzke<br>PO Box 932<br>Willamina, OR 97396 | 2016                                 |
| Theresa McKnight<br>PO Box 226<br>Willamina, OR 97396 | 2018                                 |
| Katie Vinson<br>PO Box 482<br>Willamina, OR 97396     | 2016                                 |

CITY MANAGER

Bob Sivick

CITY RECORDER

Debbie Bernard

REGISTERED ADDRESS

PO Box 629  
Willamina, OR 97396

CITY OF WILLAMINA  
For the year ended June 30, 2016

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Independent Auditor's Report

To the City Council  
Willamina, 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 Willamina, Oregon as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Willamina'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

**Richard Winkel, CPA**

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Portland, OR 97291

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willamina, Oregon as of and for the year ended June 30, 2016 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 on pages 4-9 and schedules of the proportionate share of the net pension liability and contributions on page 39 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Willamina's basic financial statements. The combining and individual fund financial statements and 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 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Reports on Other Legal and Regulatory Requirements**

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

### *Other Reporting Required by Oregon Revised Statutes*

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 4, 2017 on our consideration of the City of Willamina'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.

Richard Winkel, CPA

January 4, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF WILLAMINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**

The management of the City of Willamina, Oregon, presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2016. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date the financial statements are issued.

**Financial Highlights**

- The City's governmental activities assets exceed liabilities (net position) as of June 30, 2016 by \$1,295,227 an increase of \$46,160 from the prior year.
- The City's business-type activities assets exceed liabilities (net position) by \$1,697,142, a decrease of \$160,334 from the prior year.
- The General Fund's fund balance is \$15,307 at the end of the current fiscal year.
- The City's unrestricted cash and cash equivalents as of June 30, 2016 are \$854,047.

**Overview of the Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other supplementary information. The City's basic financial statements are comprised of three components:

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

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include all assets of the City (including infrastructure such as streets, traffic signals, street lights, buildings, bridges, etc.) as well as all liabilities (including general obligation long-term debt). Additionally, certain eliminations have occurred with regards to inter-fund activities.

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

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

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

- General government (City Council, Mayor's office, Human Resources, Finance)
- Public safety (Police protection service)
- Highways and streets
- Community Services
- Community Development

**CITY OF WILLAMINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**

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

- Water
- Sewer

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

*Governmental funds* - Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current expendable resources, as well as the balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained three individual governmental funds. Information for the funds that are considered significant (major) is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. All three of the City's funds are considered to be major funds: General, Street, and System Development Charges Funds.

The City adopts annual appropriated budgets for all funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all funds either in the basic financial statements (major governmental funds) or as supplementary information (all other funds).

*Proprietary funds* – Proprietary funds are used to account for activities where the emphasis is placed on net income determination. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

The City uses enterprise funds to account for its water and sewer utility activities.

The enterprise funds of the City are reported separately as proprietary fund financial statements in the basic financial statements.

The City presents five individual proprietary funds. Information is presented separately in the enterprise fund balance sheet and in the enterprise fund statement of revenue, expenditures and changes in fund balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report three major funds: Water, Wastewater, and Debt Service. Data from the other two enterprise funds are combined into a single aggregated presentation.

**Notes to financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

**CITY OF WILLAMINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016**

**Supplementary information** – The combining statements and schedules referred to earlier follow the required supplementary information in this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,992,370 as of June 30, 2016.

|   | Governmental Activities |                     | Business-type Activities |                     | Totals              |                     |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|   | FY 2016                 | FY 2015             | FY 2016                  | FY 2015             | FY 2016             | FY 2015             |
| <b>Assets:</b>                                    |                         |                     |                          |                     |                     |                     |
| Cash and investments                              | \$ 241,791              | \$ 133,196          | \$ 612,256               | \$ 562,816          | \$ 854,047          | \$ 696,012          |
| Other current assets                              | 47,467                  | 62,692              | 123,670                  | 302,684             | 171,137             | 365,376             |
| Capital assets, net                               | <u>1,040,489</u>        | <u>1,024,655</u>    | <u>3,407,166</u>         | <u>3,626,600</u>    | <u>4,447,655</u>    | <u>4,651,255</u>    |
| <b>Total assets</b>                               | <u>1,329,747</u>        | <u>1,220,543</u>    | <u>4,143,092</u>         | <u>4,492,100</u>    | <u>5,472,839</u>    | <u>5,712,643</u>    |
| Deferred outflow of resources                     | 44,350                  | -                   | -                        | -                   | 44,350              | -                   |
| <b>Liabilities:</b>                               |                         |                     |                          |                     |                     |                     |
| Other current liabilities                         | 78,870                  | 11,009              | 258,496                  | 315,644             | 337,366             | 326,653             |
| Long-term obligations                             | <u>-</u>                | <u>-</u>            | <u>2,187,454</u>         | <u>2,318,980</u>    | <u>2,187,454</u>    | <u>2,318,980</u>    |
| <b>Total liabilities</b>                          | <u>78,870</u>           | <u>11,009</u>       | <u>2,445,950</u>         | <u>2,634,624</u>    | <u>2,524,820</u>    | <u>2,645,633</u>    |
| <b>Net Position:</b>                              |                         |                     |                          |                     |                     |                     |
| Invested in capital assets<br>net of related debt | 1,040,489               | 1,024,655           | 1,088,186                | 1,182,500           | 2,128,675           | 2,207,155           |
| Restricted  | 85,000                  | 85,000              | 572,940                  | 572,940             | 657,940             | 657,940             |
| Unrestricted                                      | <u>169,738</u>          | <u>99,879</u>       | <u>36,016</u>            | <u>102,036</u>      | <u>205,754</u>      | <u>201,915</u>      |
| <b>Total net position</b>                         | <u>295,227</u>          | <u>\$ 1,209,534</u> | <u>\$ 1,697,142</u>      | <u>\$ 1,857,476</u> | <u>\$ 2,992,369</u> | <u>\$ 3,067,010</u> |

The largest portion of the City's net position reflect its investment of \$2,128,675 or 71%, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation and related debt). The City uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$657,940 or approximately 22% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totaling \$205,754 or approximately 7% represents the balance that may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF WILLAMINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016**

The change in net position for the year ended June 30, 2016 is as follows:

|   | <u>Governmental<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> | <u>2016 Totals</u>  |
|---|------------------------------------|--|---------------------|
| Revenues                                |                                    |  |                     |
| Program                                 |                                    |  |                     |
| Charges for services                    | \$ 55,618                          | \$ 1,051,099                             | \$ 1,106,717        |
| Operating grants and contributions      | 283,700                            | -  | 283,700             |
| General                                 |                                    |  |                     |
| Property taxes                          | 349,500                            | -  | 349,500             |
| Franchise fees                          | 86,812                             | -  | 86,812              |
| Intergovernmental                       | 180,277                            | -  | 180,277             |
| Interest                                | 3,596                              | -  | 3,596               |
| Miscellaneous                           | 7,840                              | -  | 7,840               |
|   | <u>967,343</u>                     | <u>1,051,099</u>                         | <u>2,018,442</u>    |
| Total revenues and transfers            |                                    |  |                     |
| Expenses                                |                                    |  |                     |
| General government                      | 178,087                            | -  | 178,087             |
| Public safety                           | 235,655                            | -  | 235,655             |
| Highways and streets                    | 348,066                            | -  | 348,066             |
| Community services                      | 184,977                            | -  | 184,977             |
| Community development                   | 4,685                              | -  | 4,685               |
| Water                                   | -                                  | 555,430                                  | 555,430             |
| Wastewater                              | -                                  | 625,716                                  | 625,716             |
|   | <u>951,470</u>                     | <u>1,181,146</u>                         | <u>2,132,616</u>    |
| Total expenses                          |                                    |  |                     |
| Change in net position before transfers | 15,873                             | (130,047)                                | (114,174)           |
| Transfers                               | <u>30,287</u>                      | <u>(30,287)</u>                          | <u>-</u>            |
| Change in net position                  | 46,160                             | (160,334)                                | (114,174)           |
| Net position - beginning                | <u>1,249,067</u>                   | <u>1,857,476</u>                         | <u>3,106,543</u>    |
| Total net position                      | <u>\$ 1,295,227</u>                | <u>\$ 1,697,142</u>                      | <u>\$ 2,992,369</u> |

The change in net position for the year ended June 30, 2015 is not available as that year was not audited.

**CITY OF WILLAMINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016**

**Governmental Funds**

The General Fund ended the year with a fund balance of \$15,307, a decrease of \$45,006 from the prior year. Revenues for fiscal year 2015-2016 were \$530,764 and expenses were \$606,055. Total governmental funds ended the year with a fund balance of \$211,113.

**Enterprise Funds**

The City operates two utility services, water and wastewater. These funds are operated like private enterprises and the accounting reflects this. Enterprise funds also include a debt service fund and two System Development Charges Funds.

**General Fund Budgetary Highlights**

During the year, budgetary appropriations exceeded actual expenditures. The General Fund revenues were under budgeted revenues by \$10,775 while actual expenditures in the General Fund were under budget by \$40,982.

**Capital Assets**

As of June 30, 2016, the City had the following capital assets:

|                                     | Governmental Activities |                     | Business-type Activities |                     | Totals              |                     |
|-------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                     | FY 2016                 | FY 2015             | FY 2016                  | FY 2015             | FY 2016             | FY 2015             |
| Land                                | \$ 117,841              | \$ 117,841          | \$ 548,891               | \$ 548,891          | \$ 666,732          | \$ 666,732          |
| Land improvements                   | 980,055                 | 980,055             | 776                      | 776                 | 980,831             | 980,831             |
| Buildings                           | 296,847                 | 287,397             | 927,136                  | 927,136             | 1,223,983           | 1,214,533           |
| Equipment                           | 194,313                 | 134,487             | 421,584                  | 421,584             | 615,897             | 556,071             |
| Distribution and collection systems | -                       | -                   | 5,124,723                | 5,124,723           | 5,124,723           | 5,124,723           |
| Vehicles                            | 52,462                  | 52,462              | 100,857                  | 92,957              | 153,319             | 145,419             |
| Less accumulated depreciation       | (601,029)               | (547,587)           | (3,716,801)              | (3,489,467)         | (4,317,830)         | (4,037,054)         |
| Capital assets, net                 | <u>\$ 1,040,489</u>     | <u>\$ 1,024,655</u> | <u>\$ 3,407,166</u>      | <u>\$ 3,626,600</u> | <u>\$ 4,447,655</u> | <u>\$ 4,651,255</u> |

Additional information about the City's capital assets can be found in Note 4 to the basic financial statements.

**Long-Term Obligations**

At the end of the fiscal year, the City had total long-term obligations of \$2,318,980. Of this amount \$823,442 represented bonded indebtedness. The City's bonded debt is in the business-type activities and is classified as Revenue Bonds. The City also has two loans from Oregon Economic and Community Development Department (OECD) which are also in the business-type activities which supplemented the revenue bonds for work in the water treatment plant and the wastewater project. Additional information on the City's long-term obligations can be found in Note 5 to the basic financial statements.

**CITY OF WILLAMINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016**

**Economic Factors and Next Year's Budget**

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The City uses a conservative approach when preparing the budget each year.

**Requests for information**

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report, please contact the City at (503) 876-2242 or by mail at 411 NE C Street, Willamina, Oregon 97396.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF WILLAMINA**

**Statement of Net Position**

**June 30, 2016**

|   | Governmental<br>Activities | Business-type<br>Activities | Totals              |
|---|----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                                   |                            |                             |                     |
| Cash and investments                            | \$ 241,791                 | \$ 612,256                  | \$ 854,047          |
| Receivables, net                                | 39,712                     | 92,648                      | 132,360             |
| Inventories                                     | 7,755                      | 31,022                      | 38,777              |
| Capital assets:                                 |                            |                             |                     |
| Land  | 117,841                    | 548,891                     | 666,732             |
| Capital assets, net                             | 922,648                    | 2,858,275                   | 3,780,923           |
| <b>Total assets</b>                             | <b>1,329,747</b>           | <b>4,143,092</b>            | <b>5,472,839</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                            |                             |                     |
| Pension related items                           | 44,350                     | -                           | 44,350              |
| <b>LIABILITIES</b>                              |                            |                             |                     |
| Accounts payable and accrued expenses           | 78,870                     | 18,960                      | 97,830              |
| Accrued interest payable                        | -                          | 45,318                      | 45,318              |
| Customer deposits payable                       | -                          | 62,692                      | 62,692              |
| Long-term obligations:                          |                            |                             | -                   |
| Due within one year                             | -                          | 131,526                     | 131,526             |
| Due in more than one year                       | -                          | 2,187,454                   | 2,187,454           |
| <b>Total liabilities</b>                        | <b>78,870</b>              | <b>2,445,950</b>            | <b>2,524,820</b>    |
| <b>NET POSITION:</b>                            |                            |                             |                     |
| Invested in capital assets, net of related debt | 1,040,489                  | 1,088,186                   | 2,128,675           |
| Restricted for:                                 |                            |                             |                     |
| Debt service                                    | -                          | 498,526                     | 498,526             |
| Capital projects                                | 60,000                     | 74,414                      | 134,414             |
| Highways and streets                            | 25,000                     | -                           | 25,000              |
| Grants and economic improvement                 | -                          | -                           | -                   |
| Unrestricted                                    | 169,738                    | 36,016                      | 205,754             |
| <b>Total net position</b>                       | <b>\$ 1,295,227</b>        | <b>\$ 1,697,142</b>         | <b>\$ 2,992,369</b> |

The accompanying notes are an integral part of these financial statements

**CITY OF WILLAMINA**

**Statement of Activities**

**For the Year Ended June 30, 2016**

| Functions/Programs                          | Expenses     | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          | Totals       |
|---|--------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|
|   |              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities |              |
| Governmental activities:                    |              |                      |                                    |                                  |   |                          |              |
| General government                          | \$ 178,087   | \$ 2,495             | \$ 1,700                           | \$ -                             | \$ (173,892)                                      |                          | \$ (173,892) |
| Public safety                               | 235,655      | 4,021                | -                                  | -                                | (231,634)   |                          | (231,634)    |
| Highways and streets                        | 348,066      | 30,000               | 273,098                            | -                                | (44,968)  |                          | (44,968)     |
| Community services                          | 184,977      | 18,302               | 8,902                              | -                                | (157,773)   |                          | (157,773)    |
| Community development                       | 4,685        | 800                  | -                                  | -                                | (3,885)   |                          | (3,885)      |
| Total governmental activities               | 951,470      | 55,618               | 283,700                            | -                                | (612,152)   |                          | (612,152)    |
| Business-type activities:                   |              |                      |                                    |                                  |   |                          |              |
| Water                                       | 555,430      | 464,553              | -                                  | -                                |   | (90,877)                 | (90,877)     |
| Wastewater                                  | 625,716      | 586,546              | -                                  | -                                |   | (39,170)                 | (39,170)     |
| Total business-type activities              | 1,181,146    | 1,051,099            | -                                  | -                                |   | (130,047)                | (130,047)    |
| Totals                                      | \$ 2,132,616 | \$ 1,106,717         | \$ 283,700                         | \$ -                             | (612,152)   | (130,047)                | (742,199)    |
| General revenues:                           |              |                      |                                    |                                  |   |                          |              |
| Property taxes, levied for general purposes |              |                      |                                    |                                  | 349,500   |                          | 349,500      |
| Franchise taxes                             |              |                      |                                    |                                  | 86,812  |                          | 86,812       |
| Intergovernmental                           |              |                      |                                    |                                  | 180,277   |                          | 180,277      |
| Unrestricted investment earnings            |              |                      |                                    |                                  | 3,596   |                          | 3,596        |
| Miscellaneous                               |              |                      |                                    |                                  | 7,840   |                          | 7,840        |
| Transfers                                   |              |                      |                                    |                                  | 30,287  | (30,287)                 | -            |
| Total general revenues and transfers        |              |                      |                                    |                                  | 658,312   | (30,287)                 | 628,025      |
| Change in net position                      |              |                      |                                    |                                  | 46,160  | (160,334)                | (114,174)    |
| Net position - beginning, restated          |              |                      |                                    |                                  | 1,249,067   | 1,857,476                | 3,106,543    |
| Net position - ending                       |              |                      |                                    |                                  | \$ 1,295,227                                      | \$ 1,697,142             | \$ 2,992,369 |

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

**CITY OF WILLAMINA**

**Balance Sheet - Governmental Funds**

**June 30, 2016**

|   | General   | Street     | Street SDC | Total      |
|---|-----------|------------|------------|------------|
| <b>ASSETS:</b>  |           |            |            |            |
| Cash and investments                                  | \$ 38,254 | \$ 113,537 | \$ 90,000  | \$ 241,791 |
| Receivables, net                                      | 28,722    | 10,990     | -          | 39,712     |
| Inventories   | 7,755     | -          | -          | 7,755      |
| Total assets  | \$ 74,731 | \$ 124,527 | \$ 90,000  | \$ 289,258 |
| <b>LIABILITIES:</b>                                   |           |            |            |            |
| Accounts payable and accrued expenses                 | \$ 35,811 | \$ 18,721  | \$ -       | \$ 54,532  |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                 |           |            |            |            |
| Unavailable revenue                                   | 23,613    | -          | -          | 23,613     |
| <b>FUND BALANCES:</b>                                 |           |            |            |            |
| Nonspendable  | 7,755     | -          | -          | 7,755      |
| Restricted for grants and economic improvement        | -         | 105,806    | 90,000     | 195,806    |
| Unassigned  | 7,552     | -          | -          | 7,552      |
| Total fund balances                                   | 15,307    | 105,806    | 90,000     | 211,113    |
| Total liabilities, deferred inflows and fund balances | \$ 74,731 | \$ 124,527 | \$ 90,000  |            |

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

|   |                    |
|---|--------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.               | 1,040,489          |
| Governmental activities report as deferred outflows of resources contributions to the public employee retirement system                 | 44,350             |
| Some liabilities are not due and payable in the current period and are not reported in the funds  | (24,338)           |
| Some long-term assets are not available for current period expenditures and are therefore reported as unavailable revenue in the funds. | 23,613             |
| <b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>  | <b>\$1,295,227</b> |

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

**CITY OF WILLAMINA**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds**

**For the Year Ended June 30, 2016**

|  | <u>General</u>   | <u>Street</u>     | <u>Street SDC</u> | <u>Total</u>      |
|--|------------------|-------------------|-------------------|-------------------|
| <b>REVENUES:</b>                                     |                  |                   |                   |                   |
| Property taxes                                       | \$ 348,250       | \$ -              | \$ -              | \$ 348,250        |
| Franchise fees                                       | 86,812           | -                 | -                 | 86,812            |
| System development charges                           | -                | -                 | 30,000            | 30,000            |
| Licenses, permits and fees                           | 20,393           | -                 | -                 | 20,393            |
| Fines and forfeitures                                | 5,225            | -                 | -                 | 5,225             |
| Intergovernmental                                    | 48,044           | 132,233           | -                 | 180,277           |
| Grants and donations                                 | 10,602           | 273,098           | -                 | 283,700           |
| Interest   | 3,596            | -                 | -                 | 3,596             |
| Miscellaneous  | 7,840            | -                 | -                 | 7,840             |
|  | <u>530,762</u>   | <u>405,331</u>    | <u>30,000</u>     | <u>966,093</u>    |
| <b>EXPENDITURES:</b>                                 |                  |                   |                   |                   |
| General government                                   | 111,462          | -                 | -                 | 111,462           |
| Public safety  | 235,655          | -                 | -                 | 235,655           |
| Highways and streets                                 | -                | 349,586           | -                 | 349,586           |
| Community services                                   | 184,977          | -                 | -                 | 184,977           |
| Community development                                | 4,685            | -                 | -                 | 4,685             |
| Capital outlay                                       | 69,276           | -                 | -                 | 69,276            |
|  | <u>606,055</u>   | <u>349,586</u>    | <u>-</u>          | <u>955,641</u>    |
| Excess of (deficiency) of revenues over expenditures | <u>(75,293)</u>  | <u>55,745</u>     | <u>30,000</u>     | <u>10,452</u>     |
| <b>OTHER FINANCING SOURCES (USES):</b>               |                  |                   |                   |                   |
| Transfers in (out)                                   | <u>30,287</u>    | <u>-</u>          | <u>-</u>          | <u>30,287</u>     |
| Net change in fund balances                          | <u>(45,006)</u>  | <u>55,745</u>     | <u>30,000</u>     | <u>40,739</u>     |
| Fund balances, beginning of year                     | <u>60,313</u>    | <u>50,061</u>     | <u>60,000</u>     | <u>170,374</u>    |
| Fund balances, end of year                           | <u>\$ 15,307</u> | <u>\$ 105,806</u> | <u>\$ 90,000</u>  | <u>\$ 211,113</u> |

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

**CITY OF WILLAMINA**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds to the Statement of Activities**

**For the Year Ended June 30, 2016**

|  |    |                      |
|--|----|----------------------|
| Total changes in fund balances – Governmental Funds  | \$ | 40,739               |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the effect of the change in the deferred property tax revenue during the year.</p>    |    |                      |
| Taxes  |    | 1,250                |
| <p>Capital asset additions are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.</p> |    |                      |
| Capital outlay   | \$ | 69,276               |
| Depreciation   |    | <u>(53,442)</u>      |
|  |    | 15,834               |
| <p>The amount contributed to the defined benefit pension plan is reported as an expenditure in the funds while the governmental activities reports pension expense as the change in pension related deferred outflows of resources.</p>          |    |                      |
|  |    | 4,816                |
| <p>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.</p>   |    |                      |
| Compensated absences   |    | <u>(16,479)</u>      |
| Change in net position   | \$ | <u><u>46,160</u></u> |

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

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance – Budget and Actual  
General Fund**

**For the Year Ended June 30, 2016**

|   | Original<br>Budget | Final<br>Budget | Actual          | Variance        |
|---|--------------------|-----------------|-----------------|-----------------|
| <b>REVENUES:</b>                                  |                    |                 |                 |                 |
| Property taxes                                    | \$ 338,284         | \$ 346,283      | \$ 348,250      | \$ 1,967        |
| Franchise fees                                    | 88,037             | 88,037          | 86,812          | (1,225)         |
| Licenses and permits                              | 43,657             | 29,257          | 20,393          | (8,864)         |
| Fines and forfeitures                             | 8,875              | 8,875           | 5,225           | (3,650)         |
| Intergovernmental                                 | 70,124             | 60,485          | 48,044          | (12,441)        |
| Grants  | 4,220              | 4,220           | 10,602          | 6,382           |
| Interest  | 2,346              | 2,346           | 3,596           | 1,250           |
| Miscellaneous                                     | 2,034              | 2,034           | 7,840           | 5,806           |
| <b>Total revenues</b>                             | <b>557,577</b>     | <b>541,537</b>  | <b>530,762</b>  | <b>(10,775)</b> |
| <b>EXPENDITURES:</b>                              |                    |                 |                 |                 |
| General government                                | 278,705            | 193,164         | 180,738         | 12,426          |
| Public safety                                     | 255,045            | 255,045         | 235,655         | 19,390          |
| Community services                                | 190,827            | 190,828         | 184,977         | 5,851           |
| Community development                             | 8,000              | 8,000           | 4,685           | 3,315           |
| <b>Total expenditures</b>                         | <b>732,577</b>     | <b>647,037</b>  | <b>606,055</b>  | <b>40,982</b>   |
| Excess (deficiency) of revenues over expenditures | (175,000)          | (105,500)       | (75,293)        | (51,757)        |
| <b>OTHER FINANCING SOURCES (USES):</b>            |                    |                 |                 |                 |
| Transfers in (out)                                | -                  | 32,000          | 30,287          | (1,713)         |
| <b>Change in fund balances</b>                    | <b>(175,000)</b>   | <b>(73,500)</b> | <b>(45,006)</b> | <b>(53,470)</b> |
| Fund balance, beginning of year                   | 175,000            | 76,337          | 60,313          | (16,024)        |
| Fund balance, end of year                         | \$ -               | \$ 2,837        | \$ 15,307       | \$ 12,470       |

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

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance – Budget and Actual  
Street Fund**

**For the Year Ended June 30, 2016**

|                           | Original<br>Budget | Final<br>Budget | Actual            | Variance          |
|---------------------------|--------------------|-----------------|-------------------|-------------------|
| <b>REVENUES:</b>          |                    |                 |                   |                   |
| Intergovernmental         | \$ 119,377         | \$ 119,377      | \$ 132,233        | \$ 12,856         |
| Grants and donations      | 258,000            | 258,000         | 273,098           | 15,098            |
| <b>Total revenues</b>     | <b>377,377</b>     | <b>377,377</b>  | <b>405,331</b>    | <b>27,954</b>     |
| <b>EXPENDITURES:</b>      |                    |                 |                   |                   |
| Personnel services        | 52,910             | 40,054          | 39,724            | 330               |
| Materials and services    | 347,519            | 367,663         | 309,862           | 57,801            |
| Capital outlay            | -                  | 1,000           | -                 | 1,000             |
| Contingency               | 6,948              | 17,202          | -                 | 17,202            |
| <b>Total expenditures</b> | <b>407,377</b>     | <b>425,919</b>  | <b>349,586</b>    | <b>76,333</b>     |
| Change in fund balance    | (30,000)           | (48,542)        | 55,745            | 104,287           |
| Beginning fund balance    | 30,000             | 48,542          | 50,061            | 1,519             |
| Ending fund balance       | <u>\$ -</u>        | <u>\$ -</u>     | <u>\$ 105,806</u> | <u>\$ 105,806</u> |

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

**CITY OF WILLAMINA**

**Statement of Net Position  
Proprietary Funds**

**June 30, 2016**

|   | Business-type Activities / Enterprise Funds |                    |                   |                            |                              |
|---|---|--------------------|-------------------|----------------------------|------------------------------|
|   | Water                                       | Wastewater         | Debt<br>Service   | Total<br>Nonmajor<br>Funds | Total<br>Enterprise<br>Funds |
| <b>ASSETS:</b>                                  |   |                    |                   |                            |                              |
| <b>Current assets</b>                           |   |                    |                   |                            |                              |
| Cash and investments                            | \$ 70,090                                   | \$ 153,286         | \$ 313,526        | \$ 75,354                  | \$ 612,256                   |
| Receivables, net                                | 39,681                                      | 52,967             | -                 | -                          | 92,648                       |
| Inventories                                     | 15,511                                      | 15,511             | -                 | -                          | 31,022                       |
| Due from other funds                            | -   | -                  | 185,000           | -                          | 185,000                      |
| <b>Total current assets</b>                     | <b>125,282</b>                              | <b>221,764</b>     | <b>498,526</b>    | <b>75,354</b>              | <b>920,926</b>               |
| <b>Capital assets, net</b>                      | <b>868,299</b>                              | <b>2,538,867</b>   | <b>-</b>          | <b>-</b>                   | <b>3,407,166</b>             |
| <b>Total assets</b>                             | <b>993,581</b>                              | <b>2,760,631</b>   | <b>498,526</b>    | <b>75,354</b>              | <b>4,328,092</b>             |
| <b>LIABILITIES:</b>                             |   |                    |                   |                            |                              |
| <b>Current liabilities</b>                      |   |                    |                   |                            |                              |
| Accounts payable and accrued expenses           | 7,830                                       | 6,040              | -                 | -                          | 13,870                       |
| Accrued interest payable                        | 14,681                                      | 30,637             | -                 | -                          | 45,318                       |
| Customer deposits                               | 30,542                                      | 32,150             | -                 | -                          | 62,692                       |
| Compensated absences payable                    | 3,129                                       | 1,961              | -                 | -                          | 5,090                        |
| Due to other funds                              | 185,000                                     | -                  | -                 | -                          | 185,000                      |
| <b>Total current liabilities</b>                | <b>241,182</b>                              | <b>70,788</b>      | <b>-</b>          | <b>-</b>                   | <b>311,970</b>               |
| <b>Long-term obligations</b>                    |   |                    |                   |                            |                              |
| Due within one year                             | 28,953                                      | 102,573            | -                 | -                          | 131,526                      |
| Due in more than one year                       | 794,489                                     | 1,392,965          | -                 | -                          | 2,187,454                    |
| <b>Total long-term liabilities</b>              | <b>823,442</b>                              | <b>1,495,538</b>   | <b>-</b>          | <b>-</b>                   | <b>2,318,980</b>             |
| <b>Total liabilities</b>                        | <b>1,064,624</b>                            | <b>1,566,326</b>   | <b>-</b>          | <b>-</b>                   | <b>2,630,950</b>             |
| <b>NET POSITION:</b>                            |   |                    |                   |                            |                              |
| Invested in capital assets, net of related debt | 44,857                                      | 153,286            | -                 | -                          | 198,143                      |
| Restricted for:                                 |   |                    |                   |                            |                              |
| Debt service                                    | -   | -                  | 498,526           | -                          | 498,526                      |
| Capital projects                                | -   | -                  | -                 | 75,354                     | 75,354                       |
| Unrestricted                                    | (115,900)                                   | 1,041,019          | -                 | -                          | 925,119                      |
| <b>Total net position</b>                       | <b>\$ (71,043)</b>                          | <b>\$1,194,305</b> | <b>\$ 498,526</b> | <b>\$ 75,354</b>           | <b>\$1,697,142</b>           |

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

**CITY OF WILLAMINA**

**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds**

**For the Year Ended June 30, 2016**

|   | Business-type Activities / Enterprise Funds |              |              |                            |                              |
|---|---|--------------|--------------|----------------------------|------------------------------|
|   | Water                                       | Wastewater   | Debt Service | Total<br>Nonmajor<br>Funds | Total<br>Enterprise<br>Funds |
| Operating revenues                      |   |              |              |                            |                              |
| Charges for services                    | \$ 448,161                                  | \$ 561,396   | \$ -         | \$ 41,542                  | \$ 1,051,099                 |
| Operating expenses                      |   |              |              |                            |                              |
| Personnel services                      | 173,254                                     | 209,531      | -            | -                          | 382,785                      |
| Materials and services                  | 249,545                                     | 163,619      | -            | -                          | 413,164                      |
| Depreciation                            | 79,612                                      | 147,722      | -            | -                          | 227,334                      |
| Total operating expenses                | 502,411                                     | 520,872      | -            | -                          | 1,023,283                    |
| Operating income (loss)                 | (54,250)                                    | 40,524       | -            | 41,542                     | 27,816                       |
| Non-operating revenues (expenses)       |   |              |              |                            |                              |
| Interest expense                        | (53,021)                                    | (104,842)    | -            | -                          | (157,863)                    |
| Total non-operating revenues (expenses) | (53,021)                                    | (104,842)    | -            | -                          | (157,863)                    |
| Income (loss) before transfers          | (107,271)                                   | (64,318)     | -            | 41,542                     | (130,047)                    |
| Transfers in                            | 83,282                                      | 194,985      | 237,665      | -                          | 515,932                      |
| Transfers out                           | (80,071)                                    | (187,881)    | (237,665)    | (40,602)                   | (546,219)                    |
| Change in net position                  | (104,060)                                   | (57,214)     | -            | 940                        | (160,334)                    |
| Net position, beginning of year         | 33,017                                      | 1,251,519    | 498,526      | 74,414                     | 1,857,476                    |
| Net position, end of year               | \$ (71,043)                                 | \$ 1,194,305 | \$ 498,526   | \$ 75,354                  | \$ 1,697,142                 |

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

**CITY OF WILLAMINA**

**Statement of Cash Flows  
Proprietary Funds**

**For the Year Ended June 30, 2016**

|   | Business-type Activities / Enterprise Funds |                   |                   |                            |                   |
|---|---|-------------------|-------------------|----------------------------|-------------------|
|   | Water                                       | Wastewater        | Debt Service      | Total<br>Nonmajor<br>Funds | Totals            |
| Cash flows from operating activities                                    |   |                   |                   |                            |                   |
| Cash received from customers  | \$ 495,319                                  | \$ 601,279        | \$ -              | \$ 41,542                  | \$ 1,138,140      |
| Cash paid to employees  | (173,254)                                   | (209,531)         | -                 | -                          | (382,785)         |
| Cash paid to suppliers  | (229,366)                                   | (130,379)         | -                 | -                          | (359,745)         |
| Net cash provided by operating activities                               | <u>92,699</u>                               | <u>261,369</u>    | <u>-</u>          | <u>41,542</u>              | <u>395,610</u>    |
| Cash flows from capital and related financing activities                |   |                   |                   |                            |                   |
| Purchase of capital assets  | (7,900)                                     | -                 | -                 | -                          | (7,900)           |
| Transfers in  | 16,656                                      | 23,946            | -                 | -                          | 40,602            |
| Transfers out   | (13,445)                                    | (16,842)          | -                 | (40,602)                   | (70,889)          |
| Due to (from) other funds   | 60,000                                      | -                 | (85,000)          | -                          | (25,000)          |
| Principal paid on long-term obligations                                 | (28,286)                                    | (96,834)          | -                 | -                          | (125,120)         |
| Interest paid on long-term obligations                                  | (53,021)                                    | (104,842)         | -                 | -                          | (157,863)         |
| Net cash provided by (used in) capital and related financing activities | <u>(25,996)</u>                             | <u>(194,572)</u>  | <u>(85,000)</u>   | <u>(40,602)</u>            | <u>(346,170)</u>  |
| Net increase (decrease) in cash and cash equivalents                    | <u>66,703</u>                               | <u>66,797</u>     | <u>(85,000)</u>   | <u>940</u>                 | <u>49,440</u>     |
| Cash and cash equivalents at beginning of year                          | <u>3,387</u>                                | <u>86,489</u>     | <u>398,526</u>    | <u>74,414</u>              | <u>562,816</u>    |
| Cash and cash equivalents at end of year                                | <u>\$ 70,090</u>                            | <u>\$ 153,286</u> | <u>\$ 313,526</u> | <u>\$ 75,354</u>           | <u>\$ 612,256</u> |
| Reconciliation to statement of net position                             |   |                   |                   |                            |                   |
| Cash and cash equivalents   | <u>\$ 70,090</u>                            | <u>\$ 153,286</u> | <u>\$ 313,526</u> | <u>\$ 75,354</u>           | <u>\$ 612,256</u> |

**Reconciliation of Operating Income (Loss) to Net Cash Profived by Operating Activities**

|  |                  |                   |             |                  |                   |
|--|------------------|-------------------|-------------|------------------|-------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities         |                  |                   |             |                  |                   |
| Operating income (loss)  | \$ (54,250)      | \$ 40,524         | \$ -        | \$ 41,542        | \$ 27,816         |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                  |                   |             |                  |                   |
| Depreciation   | 79,612           | 147,722           | -           | -                | 227,334           |
| (Increase) decrease in assets  |                  |                   |             |                  |                   |
| Receivables  | 43,881           | 33,303            | -           | -                | 77,184            |
| Inventories  | 915              | 915               | -           | -                | 1,830             |
| (Increase) decrease in liabilities   |                  |                   |             |                  |                   |
| Accounts payable and accrued expenses  | 19,264           | 32,325            | -           | -                | 51,589            |
| Customer deposits  | 3,277            | 6,580             | -           | -                | 9,857             |
| Net cash provided by operating activities  | <u>\$ 92,699</u> | <u>\$ 261,369</u> | <u>\$ -</u> | <u>\$ 41,542</u> | <u>\$ 395,610</u> |

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

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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***1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of the City of Willamina, Oregon (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

*The Financial Reporting Entity*

The City of Willamina, Oregon is governed by an elected mayor and council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a City Manager, who reports to the City Council.

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

*Basic Financial Statements*

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either government or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements report information on all activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregated 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 Activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or business-type activity 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 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 properly included among program revenues are reported instead as general revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental or proprietary. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting*

The government-wide and proprietary fund financial statements are accounted for 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements.

The City reports the following major governmental funds:

*General Fund* – This fund accounts for activities of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees and state and county shared revenues. Primary expenditures are for police protection, library services and general government.

*Street Fund* - This fund accounts for the cost of maintaining City streets and storm water drainage systems. Principal sources of revenues are grants and state and county shared revenues.

*Street System Development Charges Fund* - This fund accounts for development fees collected which are restricted for use to fund street capital improvements.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

The City reports the following major proprietary funds:

*Wastewater Fund* – A fund established for provision of sanitary sewer services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection.

*Water Fund* – A fund established for provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection.

*Debt Service Fund* - This fund accounts for payment of principal and interest on the long-term debt related to water and sewer operations.

The City reports the following non-major proprietary funds:

*Water SDC and Sanitary Sewer SDC Funds* – These funds account for systems development charges earmarked for future system improvements.

*Net Position*

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or regulations of other governments. Net position is classified in the following three categories:

Invested in capital assets, net – consists of capital assets net of accumulated depreciation.

Restricted net position – consists of net position with constraints placed on them by entities outside of the City.

Unrestricted net position – all other net positions that do not meet either of the criteria above.

*Fund Balance*

The City follows the guidance in GASB 54. Under this standard, the fund balances are classified within one of the fund balance categories listed below.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts constrained to specific purpose by their providers (such as grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Committed fund balance represents amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the City Council.
- Assigned fund balance represents amounts a government intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance represents amounts that are available for any purpose; these amounts are reported only in the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds in certain circumstances.

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

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2016. Actual results may differ from such estimates.

*Cash and Investments*

Investments, included in cash and investments, are carried at cost which approximates fair value. There are no investments carried at amortized cost. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and the investment common pool. These amounts have the general characteristics of demand deposit accounts in that the funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

*Receivables and Unavailable Revenues*

Receivables in governmental and enterprise funds are stated net of any allowance for doubtful accounts.

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the business-type funds are recorded as revenue as earned.

Real and personal property taxes are levied as of July 1 for each fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Polk County and Yamhill County and remitted to the City. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (30 days). Otherwise, they are reported as unavailable revenues.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Rental income is typically received in advance and is deferred when appropriate.

Special assessments receivable and repayment of revolving loans expected to be collected within sixty days after year end are considered measurable and available and are recognized as revenue. Assessment installments that are long-term are offset by deferred revenues.

*Inventory*

Inventory in the governmental and proprietary funds is stated at cost (last-in, first-out basis). Inventory in the governmental funds is charged to expenditures as purchased. Inventory in the proprietary funds is charged to expense as used.

*Capital Assets*

Capital assets (items costing more than \$5,000 and lasting more than one year) are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of capital assets are included in operations.

Capital assets are depreciated unless they are inexhaustible in nature (e.g. land). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets, all estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated using the straight-line method over their estimated useful lives.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The estimated useful lives of the various categories of assets are as follows:

|                                   |             |
|-----------------------------------|-------------|
| Buildings                         | 40-50 years |
| Improvements other than buildings | 20-40 years |
| Water and Sewer systems           | 25 years    |
| Equipment                         | 4-15 years  |
| Vehicles                          | 7-15 years  |

*Long-Term Debt*

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Position. Repayment of compensated absences, have been made primarily from the General, Street, Sewer and Water Funds.

*Deferred Inflows and Outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The City reports deferred outflow of resources related to pensions for contributions made after the June 30, 2015 measurement date.

The other instance of deferred inflows arises only under the modified accrual basis of accounting. Accordingly, *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

*Accrued Compensated Absences*

The City has a policy which permits employees to earn vacation at a rate determined by length of employment. Any amounts not used will be paid upon the employee's termination of employment. Sick pay, which does not vest, is recorded in all funds when leave is taken.

*Fund Deficit*

As of June 30, 2016 the Water Fund had a fund deficit of \$71,043. The City plans to correct this deficit in the future by controlling expenditures.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Budget and Budgetary Accounting*

A budget is prepared for each fund in accordance with the modified accrual basis of accounting for all funds. Appropriations are made at the department level for the General Fund and object level (personnel services, materials and services, capital outlay and debt service) for all other funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council.

**2. CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments.

Cash and investments are comprised of the following at June 30, 2016:

|   |                   |
|---|-------------------|
| Cash on deposit with financial institutions | \$ 115,534        |
| Local Government Investment Pool            | 738,240           |
| Petty cash                                  | <u>273</u>        |
| Total                                       | <u>\$ 854,047</u> |

*Deposits*

The City's deposits with various financial institutions had a bank value of \$872,990 and a book value of \$854,047 at year end. The difference is due to transactions in process. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

*Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 for the aggregate of all demand deposits and the aggregate of all time deposit and interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. 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 the 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. As of June 30, 2016, all balances were covered by FDIC.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**2. CASH AND INVESTMENTS (Continued)**

*Investments*

Investments in the Local Government Investment Pool (LGIP) are stated at cost, which approximates fair value. The state of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested and the investments are those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its fair value will decline if interest rates rise. In order to manage the interest rate risk of its investments, the City only invests in the LGIP. The LGIP has rules that require at least 50 percent of its investments to mature within 93 days, not more than 25 percent may mature in over a year, and all other investments must mature in no more than three years.

*Custodial Risk - Investments*

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Council. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the state of Oregon's name.

**3. Receivables**

The City's receivables at June 30, 2016 are as follows:

|                | Governmental<br>Activities/Funds |                  | Business-type<br>Activities/Proprietary Funds |                  | Totals            |
|----------------|----------------------------------|------------------|---|------------------|-------------------|
|                | General                          | Street           | Water   | Wastewater       |                   |
| Property Taxes | \$ 28,722                        | \$ -             | \$ -  | \$ -             | \$ 28,722         |
| Grants         | -                                | 10,990           | -   | -                | 10,990            |
| Accounts       | -                                | -                | 39,681  | 52,967           | 92,648            |
|                | <u>\$ 28,722</u>                 | <u>\$ 10,990</u> | <u>\$ 39,681</u>                              | <u>\$ 52,967</u> | <u>\$ 132,360</u> |

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

**3. Receivables (Continued)**

Property tax transactions during the year ended June 30, 2016 are as follows:

| Transactions<br>by Year | Property Taxes<br>Uncollected,<br>Beginning | Levy as<br>Extended<br>by Assessor | Interest and<br>(Discounts) | Collections  | Adjustments       | Property Taxes<br>Uncollected,<br>Ending |
|-------------------------|---|------------------------------------|-----------------------------|--|-------------------|--|
| 2015-2016               | \$ -  | \$ 358,141                         | \$ (9,148)                  | \$ 335,570   | \$ (1,907)        | \$ 11,516                                |
| 2014-2015               | 12,424                                      | -                                  | 104                         | 6,210  | (184)             | 6,134                                    |
| 2013-2014               | 6,869                                       | -                                  | 130                         | 2,815  | (40)              | 4,144                                    |
| 2012-2013               | 4,605                                       | -                                  | 147                         | 1,995  | (34)              | 2,723                                    |
| 2011-2012               | 2,241                                       | -                                  | 123                         | 971  | (43)              | 1,350                                    |
| 2010-2011               | 1,310                                       | -                                  | 16                          | 140  | (43)              | 1,143                                    |
| 2009-2010               | 1,190                                       | -                                  | 10                          | 83   | (47)              | 1,070                                    |
| 2009 & prior            | 840   | -                                  | 13                          | 105  | (106)             | 642                                      |
|                         | <u>\$ 29,479</u>                            | <u>\$ 358,141</u>                  | <u>\$ (8,605)</u>           | 347,889  | <u>\$ (2,404)</u> | <u>\$ 28,722</u>                         |
|                         |   |                                    |                             | Prior year taxes collected in current year<br>(5,109)    |                   |  |
|                         |   |                                    |                             | Current year taxes collected in subsequent year<br>5,470 |                   |  |
|                         |   |                                    |                             | <u>\$ 348,250</u>  |                   |  |

**4. CAPITAL ASSETS**

The summary of capital assets for the governmental activities for the year ended June 30, 2015 is as follows:

|   | June 30, 2015       | Additions        | Deletions   | June 30, 2016       |
|---|---------------------|------------------|-------------|---------------------|
| Capital assets not being depreciated        |                     |                  |             |                     |
| Land  | \$ 117,841          | \$ -             | \$ -        | \$ 117,841          |
| Capital assets being depreciated            |                     |                  |             |                     |
| Land improvements                           | 980,055             | -                | -           | 980,055             |
| Buildings                                   | 287,397             | 9,450            | -           | 296,847             |
| Equipment                                   | 134,487             | 59,826           | -           | 194,313             |
| Vehicles                                    | 52,462              | -                | -           | 52,462              |
| Total capital assets being depreciated      | <u>1,454,401</u>    | <u>69,276</u>    | <u>-</u>    | <u>1,523,677</u>    |
| Less accumulated depreciation for:          |                     |                  |             |                     |
| Land improvements                           | 314,165             | 38,906           | -           | 353,071             |
| Buildings                                   | 116,003             | 7,238            | -           | 123,241             |
| Equipment                                   | 70,498              | 6,416            | -           | 76,914              |
| Vehicles                                    | 46,921              | 882              | -           | 47,803              |
| Total accumulated depreciation              | <u>547,587</u>      | <u>53,442</u>    | <u>-</u>    | <u>601,029</u>      |
| Total capital assets being depreciated, net | <u>906,814</u>      | <u>15,834</u>    | <u>-</u>    | <u>922,648</u>      |
| Governmental activities capital assets, net | <u>\$ 1,024,655</u> | <u>\$ 15,834</u> | <u>\$ -</u> | <u>\$ 1,040,489</u> |

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

**4. CAPITAL ASSETS (Continued)**

The summary of capital assets for the business-type activities for the year ended June 30, 2015 is as follows:

|  | <u>June 30, 2015</u> | <u>Additions</u>    | <u>Deletions</u> | <u>June 30, 2016</u> |
|--|----------------------|---------------------|------------------|----------------------|
| Capital assets not being depreciated         |                      |                     |                  |                      |
| Land   | \$ 117,841           | \$ -                | \$ -             | \$ 117,841           |
| Capital assets being depreciated             |                      |                     |                  |                      |
| Water system                                 | 1,564,436            | -                   | -                | 1,564,436            |
| Wastewater system                            | 3,560,287            | -                   | -                | 3,560,287            |
| Land improvements                            | 776                  | -                   | -                | 776                  |
| Buildings                                    | 927,136              | -                   | -                | 927,136              |
| Equipment                                    | 421,583              | -                   | -                | 421,583              |
| Vehicles                                     | 92,957               | 7,900               | -                | 100,857              |
| Total capital assets being depreciated       | <u>6,567,175</u>     | <u>7,900</u>        | <u>-</u>         | <u>6,575,075</u>     |
| Less accumulated depreciation for:           |                      |                     |                  |                      |
| Water system                                 | 1,133,169            | 54,675              |                  | 1,187,844            |
| Wastewater system                            | 1,548,534            | 137,126             | -                | 1,685,660            |
| Land improvements                            | 776                  | -                   | -                | 776                  |
| Buildings                                    | 356,447              | 22,924              | -                | 379,371              |
| Equipment                                    | 367,057              | 8,083               | -                | 375,140              |
| Vehicles                                     | 83,483               | 4,526               | -                | 88,009               |
| Total accumulated depreciation               | <u>3,489,466</u>     | <u>227,334</u>      | <u>-</u>         | <u>3,716,800</u>     |
| Total capital assets being depreciated, net  | <u>3,077,079</u>     | <u>(219,434)</u>    | <u>-</u>         | <u>2,858,275</u>     |
| Business-type activities capital assets, net | <u>\$ 3,626,600</u>  | <u>\$ (219,434)</u> | <u>\$ -</u>      | <u>\$ 3,407,166</u>  |

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

|                                |                   |
|--------------------------------|-------------------|
| Governmental activities:       |                   |
| General government             | <u>\$ 53,442</u>  |
| Business-type activities:      |                   |
| Water                          | 79,612            |
| Wasterwater                    | <u>47,722</u>     |
| Total business-type activities | <u>\$ 227,334</u> |

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**5. LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2016 were as follows:

|                      | July 1,<br>2015     | Additions   | Reductions        | June 30,<br>2016    | Due<br>Within<br>One Year |
|----------------------|---------------------|-------------|-------------------|---------------------|---------------------------|
| <u>Revenue Bonds</u> |                     |             |                   |                     |                           |
| 1980 revenue bonds   | \$ 51,804           | \$ -        | \$ 11,360         | \$ 40,444           | \$ 11,368                 |
| 2000 revenue bonds   | 799,924             | -           | 16,926            | 782,998             | 17,585                    |
| <u>Loans</u>         |                     |             |                   |                     |                           |
| OECDG G99003         | 362,999             | -           | 30,663            | 332,336             | 35,955                    |
| OECDG G03004         | 1,229,373           | -           | 66,171            | 1,163,202           | 66,618                    |
| Total                | <u>\$ 2,444,100</u> | <u>\$ -</u> | <u>\$ 125,120</u> | <u>\$ 2,318,980</u> | <u>\$ 131,526</u>         |

*Business-type activities long-term obligations*

1980 Revenue bonds – Original issue of \$235,000 to finance costs associated with improvements to the water system. Interest on the bonds is 5.0% and the bonds mature in the fiscal year ending June 30, 2021. The City paid off the remaining obligation from these bonds subsequent to year end.

2000 Revenue bonds – Original issue of \$971,700 to finance costs associated with improvements to the water system. Interest on the bonds is 4.5% and the bonds mature in the fiscal year ending June 30, 2041.

Oregon Economic and Community Development Department (OECDG) G99003 – Original issue of \$725,339 to finance improvements to the wastewater system. Interest on the loan is 5.16% and matures in the fiscal year ended June 30, 2023.

Oregon Economic and Community Development Department (OECDG) G03004 – Original issue of \$1,830,000 to finance improvements to the wastewater system. Interest on the loan is variable and matures in the fiscal year ended June 30, 2028.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

**5. LONG-TERM OBLIGATIONS (Continued)**

Future debt service requirements on the long-term obligations of the business-type activities are as follows:

| Fiscal<br>Year | Revenue Bonds    |                 |                   |                   | Loans            |                  |                   |                   |
|----------------|------------------|-----------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
|                | Series 1980      |                 | Series 2000       |                   | OECDG G9903      |                  | OECDG G03004      |                   |
|                | Principal        | Interest        | Principal         | Interest          | Principal        | Interest         | Principal         | Interest          |
| 2017           | \$ 11,368        | \$ 2,443        | \$ 17,585         | \$ 35,235         | \$ 35,955        | \$ 17,412        | \$ 66,618         | \$ 52,569         |
| 2018           | 11,937           | 1,874           | 18,376            | 34,444            | 36,265           | 15,542           | 72,094            | 49,837            |
| 2019           | 12,534           | 1,277           | 19,203            | 33,617            | 36,591           | 13,656           | 72,602            | 46,809            |
| 2020           | 4,605            | 651             | 20,067            | 32,753            | 41,937           | 11,735           | 78,144            | 43,687            |
| 2021           | -                | -               | 20,970            | 31,850            | 42,302           | 9,532            | 78,722            | 40,249            |
| 2022-2026      | -                | -               | 119,886           | 144,214           | 139,286          | 14,930           | 463,599           | 142,849           |
| 2027-2031      | -                | -               | 149,399           | 114,700           | -                | -                | 331,423           | 30,967            |
| 2032-2036      | -                | -               | 186,179           | 77,921            | -                | -                | -                 | -                 |
| 2037-2041      | -                | -               | 231,333           | 32,087            | -                | -                | -                 | -                 |
|                | <u>\$ 40,444</u> | <u>\$ 6,245</u> | <u>\$ 216,087</u> | <u>\$ 312,113</u> | <u>\$332,336</u> | <u>\$ 82,807</u> | <u>\$ 831,779</u> | <u>\$ 376,000</u> |

| Fiscal<br>Year | Totals              |                   |
|----------------|---------------------|-------------------|
|                | Principal           | Interest          |
| 2017           | \$ 131,526          | \$ 107,659        |
| 2018           | 138,672             | 101,697           |
| 2019           | 140,930             | 95,359            |
| 2020           | 144,753             | 88,826            |
| 2021           | 141,994             | 81,631            |
| 2022-2026      | 722,771             | 301,993           |
| 2027-2031      | 480,822             | 145,667           |
| 2032-2036      | 186,179             | 77,921            |
| 2037-2041      | 231,333             | 32,087            |
|                | <u>\$ 1,420,646</u> | <u>\$ 777,165</u> |

**6. PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Plan Description**

Substantially all City employees are members in the Oregon Public Employees Retirement System (OPERS); a cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS produces an independently audited CAFR which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**6. PENSION PLAN (Continued)**

*Pension Plan Fiduciary Net Position*

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

***Benefits Provided***

*Tier One/Tier Two Retirement Benefit*

*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% for police and fire employees, 1.67% 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 a minimum retirement age for a service retirement allowance if he or she has had 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 for disability benefit 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 WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**6. PENSION PLAN (Continued)**

*Tier One/Tier Two Retirement Benefit (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% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

*OPSRP Pension Program*

*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 by formula for members who attain normal retirement age. For general service members, 1.5% 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. For police and fire members, 1.8% 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.

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% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

*OPSRP Individual Account Program (IAP)*

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

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

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**6. PENSION PLAN (Continued)**

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

*Recordkeeping.* PERS contracts with VOYA Financial to maintain IAP participant records.

***Contributions***

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The City's contribution rates for the period were 6.08% for Tier One/Tier Two members and 0.0% for OPSRP General Service members. The City did not have any contributions exclusive of the 6% "pick-up" during the year ended June 30, 2016.

Covered employees are required to contribute 6% of their salary to the Plan, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6% "pick-up" or \$30,520 of the employees' contribution.

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

At June 30, 2015, the City reported neither an asset nor a liability for its proportionate share of the OPERS net pension asset/liability. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 0.00%, which is unchanged from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized a credit to pension expense of \$4,816.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**6. PENSION PLAN (Continued)**

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between employer contributions and employer's proportionate share of system contributions | \$ 13,830                            | \$ -                                |
| Contributions subsequent to the measurement date  | 30,520                               | -                                   |
| Net deferred outflow of resources   | \$ 44,350                            | \$ -                                |

Deferred outflows of resources related to pensions of \$30,520 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. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <i>Fiscal Year<br/>Ending<br/>June 30,</i> |    |        |  |
|--|----|--------|--|
| 2017                                       | \$ | 3,468  |  |
| 2018                                       |    | 3,468  |  |
| 2019                                       |    | 3,648  |  |
| 2020                                       |    | 2,754  |  |
| 2021                                       |    | 672    |  |
| Total                                      | \$ | 13,830 |  |

***Actuarial Methods and Assumptions***

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial methods and assumptions:

|                        |  |
|------------------------|--|
| Actuarial Cost Method  | Entry Age Normal   |
| Amortization Method    | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset Valuation Method | Market value of assets   |

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**6. PENSION PLAN (Continued)**

***Actuarial Methods and Assumptions (Continued)***

Actuarial Assumptions:

|                            |  |
|----------------------------|--|
| Inflation Rate             | 2.75%  |
| Investment Rate of Return  | 7.75%  |
| Projected Salary Increases | 3.75% overall payroll growth; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service   |
| Mortality                  | Healthy retirees and beneficiaries:<br>RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.<br>Active members:<br>Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.<br>Disabled retirees:<br>Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table. |

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 experience study which reviewed experience for the four-year period ending on December 31, 2014.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75% 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 contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**6. PENSION PLAN (Continued)**

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

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was 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.

| <u>Asset Class</u>                | <u>Target</u> | <u>Compound Annual<br/>Return (Geometric)</u> |
|-----------------------------------|---------------|---|
| Core Fixed Income                 | 7.20 %        | 4.50 %  |
| Short-Term Bonds                  | 8.00          | 3.70  |
| Intermediate-Term Bonds           | 3.00          | 4.10  |
| High Yield Bonds                  | 1.80          | 6.66  |
| Large Cap US Equities             | 11.65         | 7.20  |
| Mid Cap US Equities               | 3.88          | 7.30  |
| Small Cap US Equities             | 2.27          | 7.45  |
| Developed Foreign Equities        | 14.21         | 6.90  |
| Emerging Foreign Equities         | 5.49          | 7.40  |
| Private Equity                    | 20.00         | 8.26  |
| Opportunity Funds/Absolute Return | 5.00          | 6.01  |
| Real Estate (Property)            | 13.75         | 6.51  |
| Real Estate (REITS)               | 2.50          | 6.76  |
| Commodities                       | 1.25          | 6.07  |
| Assumed Inflation - Mean          |               | 2.75  |

***Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate***

Because the City does not have a proportionate share of the net pension liability there is no sensitivity analysis provided.

***Pension Plan Fiduciary Net Position***

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

CITY OF WILLAMINA, OREGON  
Notes to Financial Statements  
June 30, 2016

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**7. INTERFUND LOANS**

As of June 30, 2016, the Debt Service Fund has loaned \$185,000 to the Water Fund.

**8. INTERFUND TRANSACTIONS**

Interfund transfers in and out for all funds on the budgetary basis of accounting were as follows:

|                | <i>Transfers In</i> | <i>Transfers Out</i> |
|----------------|---------------------|----------------------|
| General        | \$ 29,656           | \$ -                 |
| Water          | 83,282              | 78,834               |
| Wastewater     | 194,985             | 188,487              |
| Debt service   | 237,665             | 237,665              |
| Water SDC      | -                   | 16,656               |
| Wastewater SDC | -                   | 23,946               |
|                | \$ 545,588          | \$ 545,588           |

These transfers reflect the principal and interest debt payments made by the Debt Service Fund for the debt obligations of the Water and Wastewater Funds and pay franchise fees to the General Fund.

**9. BEGINNING BALANCE ADJUSTMENTS**

The following beginning balance adjustments have been recorded on GAAP basis to recognize the City's deferred outflow of resources related to the implementation of GASB Statement No. 68 "Accounting and Reporting for Pension Plans" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date.

| <i>Activity/Fund</i>           | <i>Increase (decrease) in<br/>beginning net position</i> |
|--------------------------------|--|
| <i>Governmental activities</i> | \$ 39,533  |

**10. CONTINGENCIES**

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. The City has not had any losses in the past three years that have exceeded policy coverage.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 4, 2017, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILLAMINA**  
**Year Ended June 30, 2016**

**Schedule of Proportionate Share of Net Pension Liability**

| <u>Year Ended</u> | <u>Proportion of<br/>the Net Pension<br/>Liability<br/>(Asset)</u> | <u>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability<br/>(Asset)</u> | <u>Actual<br/>Covered<br/>Member<br/>Payroll</u> | <u>Net Pension<br/>Liability<br/>(Asset) as a<br/>Percentage of<br/>Covered<br/>Payroll</u> | <u>Fiduciary Net<br/>Position as a<br/>Percentage of<br/>Total Pension<br/>Liability</u> |
|-------------------|--|---|--|---|--|
| 6/30/2014         | 0.000%   | \$ -  |  | 0.00%   | 92.0%  |
| 6/30/2015         | 0.000%   | \$ -  |  | 0.00%   | 103.6%   |
| 6/30/2016         | 0.000%   | \$ -  | \$ 428,762                                       | 0.00%   | 91.9%  |

**Schedule of the Employer Contributions  
Oregon Public Employees Retirement System**

| <u>Year Ended</u> | <u>Statutorily<br/>Required<br/>Contribution</u> | <u>Actual<br/>Employer<br/>Contributions</u> | <u>Contribution<br/>Excess /<br/>(Deficiency)</u> | <u>Actual<br/>Covered<br/>Member<br/>Payroll</u> | <u>Contributions as<br/>a Percentage of<br/>Covered Payroll</u> |
|-------------------|--|--|---|--|---|
| 6/30/2014         | \$ -   | \$ -   | \$ -  |  |   |
| 6/30/2015         | \$ 39,534  | \$ 39,534                                    | \$ -  |  |   |
| 6/30/2016         | \$ 30,520  | \$ 30,520                                    | \$ -  | \$ 428,762                                       | 7.1%  |

Note: 10-year trend information required by GASB Statement 68 will be presented prospectively

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance – Budget and Actual  
Street System Development Charges Fund**

**For the Year Ended June 30, 2016**

|                            | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>           | <u>Variance</u>         |
|----------------------------|----------------------------|-------------------------|-------------------------|-------------------------|
| <b>REVENUES:</b>           |                            |                         |                         |                         |
| System Development Charges | \$ 21,420                  | \$ 21,420               | \$ 30,000               | \$ 8,580                |
| Total revenues             | <u>21,420</u>              | <u>21,420</u>           | <u>30,000</u>           | <u>8,580</u>            |
| <b>EXPENDITURES:</b>       |                            |                         |                         |                         |
| Materials and services     | -                          | -                       | -                       | -                       |
| Contingency                | <u>51,420</u>              | <u>81,420</u>           | <u>-</u>                | <u>81,420</u>           |
| Total expenditures         | <u>51,420</u>              | <u>81,420</u>           | <u>-</u>                | <u>81,420</u>           |
| Change in fund balance     | (30,000)                   | (60,000)                | 30,000                  | 90,000                  |
| Beginning fund balance     | <u>30,000</u>              | <u>60,000</u>           | <u>60,000</u>           | <u>-</u>                |
| Ending fund balance        | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>      | <u><u>\$ 90,000</u></u> | <u><u>\$ 90,000</u></u> |

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Water - Enterprise Fund (Major Fund)**

**For the Year Ended June 30, 2016**

|  | Original<br>Budget | Final<br>Budget | Actual       | Variance  |
|--|--------------------|-----------------|--------------|-----------|
| <b>REVENUES:</b>   |                    |                 |              |           |
| Charges for services   | \$ 429,556         | \$ 430,070      | \$ 448,161   | \$ 18,091 |
| Grants   | 22,834             | 22,834          | -            | (22,834)  |
| Miscellaneous  | 458                | 9,945           | -            | (9,945)   |
|  |                    |                 |              |           |
| Total revenues   | 452,848            | 462,849         | 448,161      | (14,688)  |
| <br><b>EXPENDITURES:</b>   |                    |                 |              |           |
| Personnel services   | 195,228            | 179,896         | 173,254      | 6,642     |
| Materials and services   | 209,102            | 312,100         | 249,545      | 62,555    |
| Capital outlay   | 24,000             | -               | 7,900        | (7,900)   |
| Contingency  | 24,550             | 15,619          | -            | 15,619    |
|  |                    |                 |              |           |
| Total expenditures   | 452,880            | 507,615         | 430,699      | 76,916    |
| Excess (deficiency) of revenues over expenditures  | (32)               | (44,766)        | 17,462       | 62,228    |
| <br><b>OTHER FINANCING SOURCES (USES):</b>   |                    |                 |              |           |
| Transfers in (out)   | (49,968)           | 100,032         | 3,211        | (96,821)  |
| Net change in fund balances  | (50,000)           | 55,266          | 20,673       | (34,593)  |
| Fund balance, beginning of year  | 50,000             | (55,266)        | 33,017       | 88,283    |
| Fund balance, end of year  | \$ -               | \$ -            | \$ 53,690    | \$ 53,690 |
| <br>Reconciliation of change in fund balance to generally accepted accounting principles (GAAP): |                    |                 |              |           |
| Net change in fund balance, budgetary basis  |                    |                 | 20,673       |           |
| Depreciation expense   |                    |                 | (79,612)     |           |
| Capital outlay   |                    |                 | 7,900        |           |
| Interest expense   |                    |                 | (53,021)     |           |
| Net change in fund balance, GAAP   |                    |                 | \$ (104,060) |           |

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Wastewater - Enterprise Fund (Major Fund)**

**For the Year Ended June 30, 2016**

|  | Original<br>Budget | Final<br>Budget  | Actual              | Variance            |
|--|--------------------|------------------|---------------------|---------------------|
| <b>REVENUES:</b>   |                    |                  |                     |                     |
| Charges for services   | \$ 536,325         | \$ 522,154       | \$ 561,396          | \$ 39,242           |
| Grants   | -                  | 1,071            | -                   | (1,071)             |
| Miscellaneous  | -                  | 13,100           | -                   | (13,100)            |
|  | <u>536,325</u>     | <u>536,325</u>   | <u>561,396</u>      | <u>25,071</u>       |
| <b>EXPENDITURES:</b>   |                    |                  |                     |                     |
| Personnel services   | 220,820            | 211,557          | 209,531             | 2,026               |
| Materials and services   | 158,563            | 255,365          | 163,619             | 91,746              |
| Capital outlay   | 6,500              | -                | -                   | -                   |
| Contingency  | 53,347             | 79,610           | -                   | 79,610              |
|  | <u>439,230</u>     | <u>546,532</u>   | <u>373,150</u>      | <u>173,382</u>      |
| Excess (deficiency) of revenues over expenditures  | 97,095             | (10,207)         | 188,246             | 198,453             |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                    |                  |                     |                     |
| Transfers in (out)   | (147,095)          | (147,095)        | 7,104               | 154,199             |
|  | <u>(50,000)</u>    | <u>(157,302)</u> | <u>195,350</u>      | <u>352,652</u>      |
| Net change in fund balances  | <u>(50,000)</u>    | <u>(157,302)</u> | <u>195,350</u>      | <u>352,652</u>      |
| Fund balance, beginning of year  | <u>50,000</u>      | <u>157,302</u>   | <u>1,251,519</u>    | <u>1,094,217</u>    |
| Fund balance, end of year  | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 1,446,869</u> | <u>\$ 1,446,869</u> |
| Reconciliation of change in fund balance to generally accepted accounting principles (GAAP): |                    |                  |                     |                     |
| Net change in fund balance, budgetary basis  |                    |                  | 195,350             |                     |
| Depreciation expense   |                    |                  | (147,722)           |                     |
| Interest expense   |                    |                  | (104,842)           |                     |
| Net change in fund balance, GAAP   |                    |                  | <u>\$ (57,214)</u>  |                     |

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Debt Service - Enterprise Fund (Major Fund)**

**For the Year Ended June 30, 2016**

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance          |
|--|--------------------|-------------------|-------------------|-------------------|
| <b>EXPENDITURES:</b>                                     |                    |                   |                   |                   |
| Debt service   | 237,665            | 286,515           | 237,665           | 48,850            |
| Contingency  | -                  | 43,850            | -                 | 43,850            |
| <b>Total expenditures</b>                                | <b>237,665</b>     | <b>330,365</b>    | <b>237,665</b>    | <b>92,700</b>     |
| <br>Excess (deficiency) of revenues over<br>expenditures | <br>(237,665)      | <br>(330,365)     | <br>(237,665)     | <br>(92,700)      |
| <b>OTHER FINANCING SOURCES (USES):</b>                   |                    |                   |                   |                   |
| Transfers in   | 237,665            | 237,665           | 237,665           | -                 |
| Transfers out  | (2,326)            | (150,000)         | -                 | 150,000           |
| <br>Net change in fund balances                          | <br>(2,326)        | <br>(242,700)     | <br>-             | <br>57,300        |
| <br>Fund balance, beginning of year                      | <br>5,000          | <br>498,526       | <br>498,526       | <br>-             |
| Fund balance, end of year                                | <u>\$ 2,674</u>    | <u>\$ 255,826</u> | <u>\$ 498,526</u> | <u>\$ 242,700</u> |

**CITY OF WILLAMINA**

**Combining Statement of Fund Net Position  
Nonmajor Enterprise Funds**

**June 30, 2016**

|                               | Water System<br>Development<br>Charges | Wastewater<br>System<br>Development<br>Charges | Total     |
|-------------------------------|--|--|-----------|
| <b>ASSETS:</b>                |  |  |           |
| Current assets                |  |  |           |
| Cash and investments          | \$ 59,150                              | \$ 16,204                                      | \$ 75,354 |
| <b>NET POSITION:</b>          |  |  |           |
| Reserved for capital projects | \$ 59,150                              | \$ 16,204                                      | \$ 75,354 |
| Net position                  | \$ 59,150                              | \$ 16,204                                      | \$ 75,354 |

**CITY OF WILLAMINA**

**Combining Statement Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds**

**For the Year Ended June 30, 2016**

|                                  | Water System<br>Development<br>Charges | Wastewater<br>System<br>Development<br>Charges | Total     |
|----------------------------------|--|--|-----------|
| Operating revenues               |  |  |           |
| Charges for services             | \$ 16,392                              | \$ 25,150                                      | \$ 41,542 |
| Operating income (loss)          | 16,392                                 | 25,150   | 41,542    |
| Nonoperating revenues (expenses) |  |  |           |
| Transfers out                    | (16,656)                               | (23,946)                                       | (40,602)  |
| Change in net position           | (264)                                  | 1,204  | 940       |
| Net position, beginning of year  | 59,414                                 | 15,000   | 74,414    |
| Net position, end of year        | \$ 59,150                              | \$ 16,204                                      | \$ 75,354 |

**CITY OF WILLAMINA**

**Combining Statement of Cash Flows  
Nonmajor Enterprise Funds**

**For the Year Ended June 30, 2016**

|   | Water System<br>Development<br>Charges | Wastewater<br>System<br>Development<br>Charges | Total                   |
|---|--|--|-------------------------|
| Cash flows from operating activities                      |  |  |                         |
| Cash received from customers                              | \$ 16,392                              | \$ 25,150                                      | \$ 41,542               |
| Net cash provided by operating activities                 | <u>16,392</u>                          | <u>25,150</u>                                  | <u>41,542</u>           |
| Cash flows from capital and related financing activities  |  |  |                         |
| Transfers out   | <u>(16,656)</u>                        | <u>(23,946)</u>                                | <u>(40,602)</u>         |
| Net cash used in capital and related financing activities | <u>(16,656)</u>                        | <u>(23,946)</u>                                | <u>(40,602)</u>         |
| Net increase (decrease) in cash and cash equivalents      | (264)                                  | 1,204  | 940                     |
| Cash and cash equivalents at beginning of year            | <u>59,414</u>                          | <u>15,000</u>                                  | <u>74,414</u>           |
| Cash and cash equivalents at end of year                  | <u><u>\$ 59,150</u></u>                | <u><u>\$ 16,204</u></u>                        | <u><u>\$ 75,354</u></u> |

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Water System Development Charges - Enterprise Fund**

**For the Year Ended June 30, 2016**

|   | Original<br>Budget | Final<br>Budget | Actual    | Variance  |
|---|--------------------|-----------------|-----------|-----------|
| <b>REVENUES:</b>                                  |                    |                 |           |           |
| Charges for services                              | \$ 14,830          | \$ 14,830       | \$ 16,392 | \$ 1,562  |
| Total revenues                                    | 14,830             | 14,830          | 16,392    | 1,562     |
| <b>EXPENDITURES:</b>                              |                    |                 |           |           |
| Contingency                                       | 18,174             | 57,588          | -         | 57,588    |
| Total expenditures                                | 18,174             | 57,588          | -         | 57,588    |
| Excess (deficiency) of revenues over expenditures | (3,344)            | (42,758)        | 16,392    | 59,150    |
| <b>OTHER FINANCING SOURCES (USES):</b>            |                    |                 |           |           |
| Transfers in (out)                                | (16,656)           | (16,656)        | (16,656)  | -         |
| Net change in fund balances                       | (20,000)           | (59,414)        | (264)     | 59,150    |
| Fund balance, beginning of year                   | 20,000             | 59,414          | 59,414    | -         |
| Fund balance, end of year                         | \$ -               | \$ -            | \$ 59,150 | \$ 59,150 |

**CITY OF WILLAMINA**

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Wastewater System Development Charges - Enterprise Fund**

**For the Year Ended June 30, 2016**

|   | Original<br>Budget | Final<br>Budget | Actual    | Variance  |
|---|--------------------|-----------------|-----------|-----------|
| <b>REVENUES:</b>                                  |                    |                 |           |           |
| Charges for services                              | \$ 18,921          | \$ 18,921       | \$ 25,150 | \$ 6,229  |
| Total revenues                                    | 18,921             | 18,921          | 25,150    | 6,229     |
| <b>EXPENDITURES:</b>                              |                    |                 |           |           |
| Contingency                                       | 975                | 9,975           | -         | 9,975     |
| Total expenditures                                | 975                | 9,975           | -         | 9,975     |
| Excess (deficiency) of revenues over expenditures | 17,946             | 8,946           | 25,150    | 16,204    |
| <b>OTHER FINANCING SOURCES (USES):</b>            |                    |                 |           |           |
| Transfers in (out)                                | (23,946)           | (23,946)        | (23,946)  | -         |
| Net change in fund balances                       | (6,000)            | (15,000)        | 1,204     | 16,204    |
| Fund balance, beginning of year                   | 6,000              | 15,000          | 15,000    | -         |
| Fund balance, end of year                         | \$ -               | \$ -            | \$ 16,204 | \$ 16,204 |

## **COMPLIANCE SECTION**

**Independent Auditor's Report Required  
by Oregon State Regulations**

To the City Council  
Willamina, Oregon

We have audited the basic financial statements of the City of Willamina (the City) as of and for the year ended June 30, 2016 and have issued our report thereon dated January 4, 2017. 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 the provisions of Oregon Revised Statutes as specified in Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

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

- Deposit of Public Funds with Financial Institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Insurance and Fidelity Bond Coverage
- Budgets legally required (ORS Chapter 294)
- Public Contracting and Purchasing
- Programs Funded From Outside Sources
- Authorized investment of surplus funds (ORS Chapter 294)

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

### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the 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 District'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.

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

*Richard Winkel, CPA*

January 4, 2017

Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the City Council  
Willamina, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willamina, Oregon as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Willamina's basic financial statements, and have issued our report thereon dated January 4, 2017

### **Internal Control Over Financial Reporting**

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

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

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

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Richard Winkel, CPA

January 4, 2017