

**CITY OF PHOENIX
Jackson County, Oregon**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

**CITY OF PHOENIX
Jackson County, Oregon**

**OFFICERS AND MEMBERS OF THE GOVERNING BOARD
June 30, 2016**

City Council

Jeff Bellah, Mayor

Bruce Sophie

Chris Luz

Carolyn Bartell

Stan Bartell

Terry Helfrich

All the Council members will receive mail at the following address:

ADMINISTRATIVE

Jamie McLeod, City Manager
112 W 2nd Street
P.O. Box 330
Phoenix, Oregon 97535

CITY OF PHOENIX
Jackson County, Oregon
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For the Year Ended June 30, 2016

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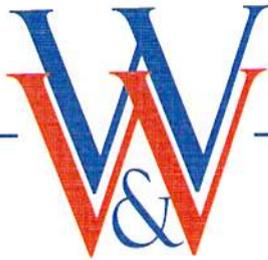
**CITY OF PHOENIX
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FINANCIAL SECTION



WALL & WALL, PC Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Phoenix, 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 Phoenix, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Phoenix, Oregon, as of June 30, 2016, and the respective changes in financial position and budgetary comparisons for the general fund and major special revenue funds, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City adopted the provisions of GASB 72 - *Fair Value Measurement and Application* and GASB 79 - *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. Our opinion is not modified with respect to these matters.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, including the schedule of proportionate share of net pension liability and the *Oregon PERS contribution schedule*, 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 management discussion and analysis or the schedules of funding progress and employee contributions because the limited procedures do not provide us with sufficient evidence to express opinion or provide any assurance.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

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

Other Information

The listing of City Council members, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal corporations, we have issued our report dated January 16, 2017, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



J. Robert Wall, Certified Public Accountant
Wall & Wall PC, Certified Public Accountants
January 16, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Phoenix (the City) for the fiscal year ended June 30, 2016. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The City's government-wide assets totaled \$15,937,694 at June 30, 2016 consisting of \$7,211,112 in capital assets, net of accumulated depreciation, \$4,757,002 in cash, \$606,209 in other receivables, and \$3,979 in prepaid items. Capital assets, net of accumulated depreciation decreased by \$(92,053) in the current year. Cash and investment balances increased by \$961,965 from the prior year.
- The City's government-wide liabilities totaled \$6,942,588 at June 30, 2016 consisting of \$5,011,068 in short and long-term debt and \$1,931,520 in accounts payable and other current liabilities. The City issued no additional long-term debt in the current year.
- Net position (total of assets and deferred outflows minus total of liabilities and deferred inflows), totaled \$8,839,393 at June 30, 2016 of which \$5,325,044 was net investment in capital assets, \$66,377 was restricted for debt service, \$894,763 was restricted for system development charges eligible, along with other projects. The remaining \$2,619,586 was unrestricted.
- The City generated program revenues of \$1.61 million which is primarily Charges for Services. General revenues which include taxes, licenses and permits, intergovernmental, franchise fees, fines and forfeitures and earnings on investments totaled \$2.72 million. The Government-Wide expenses were \$3.32 million for governmental activities and \$1.51million for business-type activities. Total government-wide expenses were \$4.83 million.

OVERVIEW OF FINANCIAL STATEMENTS

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three components:

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

The Basic Financial Statements present financial information about the City as a whole and about its activities. Following the Basic Financial Statements are the Required Supplementary information and Supplementary Information which provide budgetary comparisons for each fund. Finally, completing the document is a series of other financial schedules, and the report by the independent certified public accountants, as required by statute.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using the Statement of Net Position includes all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Net position is the difference between the total of assets and deferred outflows, and the total of liabilities and deferred inflows, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the Statement of Activities is to present the major program costs, matching major

resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

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

Governmental activities of the City are categorized as follows:

- Executive—includes the City Manager function and administration oversight.
- Administrative—includes centralized services such as public works administration and support, information technology, administration, financial services and other general functions not separately identified as a program.
- Public safety—includes police.
- Parks department—includes maintenance of the City's parks and playgrounds.
- Building department—includes the City's building inspection function.
- Planning department—includes the City's community development function.
- Highways and streets—includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.
- Non-Departmental—includes all activities not specific to individual departments.

Business-type activities include the following:

- Water—includes all costs for the maintenance, operations, and construction of the City's water delivery system.

FUND FINANCIAL STATEMENTS

Following the government-wide statements is a section containing fund financial statements. The fund financial statements include statements for governmental funds and proprietary funds. Funds are used to segregate resources for specific activities or objectives.

Governmental Funds - The governmental fund statements emphasize available financial resources rather than net-income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund balance reported in the governmental funds Balance Sheet to the net position reported on the government-wide Statement of Net Position and a reconciliation of the change in fund balances reported in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances to the change in net position reported in the government-wide Statement of Activities are provided to facilitate a comparison between governmental funds and governmental activities.

The City has nine governmental funds. The governmental fund statements present the three major funds separately; General Fund, Street Fund, and the Street Improvement Fund. There are three funds that are combined with the General Fund for GAAP reporting. They are the Greenway Maintenance Reserve Fund, the City Hall Debt Reserve Fund and the Intertie Debt Reserve Fund. The other three nonmajor funds (Advertising Promotion, Tourist Usage and Parks and Recreation SDC) are combined and presented in a single column as other governmental funds.

Proprietary Funds - Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. The City has three enterprise funds to account for its water operations. The Water Fund is the major enterprise fund. The Water SDC Fund and Stormwater SDC Fund are budgeted separately, but are subsidiary to the Water Fund and are combined with that fund in the proprietary fund financial statements. If there were two or more nonmajor funds that accounted for separate and unique activities, they would be combined and presented in a single column as other enterprise funds.

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes which should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets exceeded liabilities by \$6.78 million at June 30, 2016. Net position for governmental activities totaled \$6.78 million while net position for business-type activities totaled \$2.05 million.

Net Position

Net Position June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
Capital assets, net	\$ 3,887,241	\$ 3,323,871	\$ 7,211,112
Other assets	7,892,525	834,057	8,726,582
Total assets	11,779,766	4,157,928	15,937,694
Deferred outflows	38,346	9,586	47,932
Current liabilities	1,742,761	188,759	1,931,520
Long-term debt liabilities	3,125,000	1,886,068	5,011,068
Total liabilities	4,867,761	2,074,827	6,942,588
Deferred Inflows	162,916	40,729	203,645
Net position:			
Invested in capital assets	3,887,241	1,437,803	5,325,044
Restricted	658,037	236,726	894,763
Unrestricted	2,242,157	377,429	2,619,586
Total net position	\$ 6,787,435	\$ 2,051,958	\$ 8,839,393

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
Capital assets, net	\$ 3,839,680	\$ 3,463,485	\$ 7,303,165
Other assets	3,931,491	835,508	4,766,999
Total assets	7,771,171	4,298,993	12,070,164
Deferred outflows	295,520	69,951	365,471
Current liabilities	662,557	84,898	747,455
Long-term debt liabilities	20,597	2,009,461	2,030,058
Total liabilities	683,154	2,094,359	2,777,513
Deferred Inflows	282,012	66,754	348,766
Net position:			
Invested in capital assets	3,819,083	1,453,791	5,272,874
Restricted	976,490	296,866	1,273,356
Unrestricted	2,305,952	457,174	2,763,126
Total net position	\$ 7,101,525	\$ 2,207,831	\$ 9,309,356

As mentioned earlier, net position may be an indicator of the City's financial health. At the end of the current year, the City has a positive net position. Net position decreased by over \$(470) thousand from the prior year as expenses exceeded revenues. This decrease was largely due to the governmental activities decreasing by more than \$(314) thousand whereas the business type activities decreased by more than \$(156) thousand. The largest portion of the City's net position (60 percent) is its investment in capital assets, net of related debt. In the prior year, this portion of net position was 57 percent of total net position.

Analysis of Changes in Net Position

The City's Statement of Activities for fiscal years ended June 30, 2016 and 2015 are as follows:

**Governmental and Proprietary Activities
For the Year Ended June 30, 2016**

	Governmental Activities	Business-type Activities	Total Government
Revenues			
Program revenues			
Charges for services	\$ 281,983	\$ 1,324,896	\$ 1,606,879
Operating Grants	-	-	-
Capital Grants/Contributions	-	-	-
General revenues			
Property Taxes	1,027,901	-	1,027,901
Other Taxes	234,392	-	234,392
Licenses & Permits	281,983	-	281,983
Intergovernmental	478,565	-	478,565
Franchise Fees	395,341	-	395,341
System Development Charges	-	-	-
Fines & Forfeitures	282,914	-	282,914
Pension Income	-	-	-
Earnings on Investments	19,243	77	19,320
Other	-	21,164	21,164
Total revenues	3,002,322	1,346,137	4,348,459
Expenses			
Executive	132,132	-	132,132
Administrative	158,096	-	158,096
Public Safety	1,249,713	-	1,249,713
Parks	115,515	-	115,515
Building	127,486	-	127,486
Planning	129,317	-	129,317
Highways and Streets	603,374	-	603,374
Non-Departmental	677,980	-	677,980
Interest on Long-Term Debt	91,678	-	91,678
Water	-	1,511,967	1,511,967
Capital outlay	21,164	-	21,164
Total expenses	3,306,455	1,511,967	4,818,422
Excess (deficiency) before Transfers	(340,133)	(165,830)	(469,963)
Transfers, net	(9,957)	9,957	-
Change in net position	(314,090)	(155,873)	(704,355)
Beginning net position - restated (pensions & debt)	7,101,525	2,207,831	9,309,356
Ending net position	\$ 6,787,435	\$ 2,051,958	\$ 8,839,393

**Governmental and Proprietary Activities
For the Year Ended June 30, 2015**

	Governmental Activities (Restated)	Business-type Activities (Restated)	Total Government (Restated)
Revenues			
Program revenues			
Charges for services	\$ 268,182	\$ 1,178,540	\$ 1,446,722
Operating Grants	51,042	-	51,042
Capital Grants/Contributions	-	-	-
General revenues			
Property Taxes	1,025,647	-	1,025,647
Other Taxes	41,667	-	41,667
Licenses & Permits	57,735	-	57,735
Intergovernmental	385,608	-	385,608
Franchise Fees	318,993	17,455	336,448
System Development Charges	-	831	831
Fines & Forfeitures	263,222	-	263,222
Pension Income	275,074	105,650	380,724
Earnings on Investments	21,327	196	21,523
Other	29,833	203,955	233,788
Total revenues	2,738,330	1,506,627	4,244,957
Expenses			
Executive	106,845	-	106,845
Administrative	124,510	-	124,510
Public Safety	1,136,514	-	1,136,514
Parks	90,347	-	90,347
Building	101,487	-	101,487
Planning	115,762	-	115,762
Highways and Streets	452,236	-	452,236
Non-Departmental	165,669	-	165,669
Interest on Long-Term Debt	-	113,340	113,340
Water	-	1,131,475	1,131,475
Capital outlay	373,766	(373,766)	-
Total expenses	2,667,136	871,049	3,538,185
Excess (deficiency) before Transfers	71,194	635,578	706,772
Transfers, net	792,457	(792,457)	-
Change in net position	863,651	(156,879)	706,772
Beginning net position - restated (pensions & debt)	6,237,874	2,364,710	8,602,584
Ending net position	\$ 7,101,525	\$ 2,207,831	\$ 9,309,356

Governmental Activities

Governmental activities decreased the City's net position by \$314 thousand. The decrease can be attributed primarily to the increase in expenditures of \$639 thousand with revenues increasing by \$264 thousand from the prior year. With the anticipated reduction in revenues in the fiscal year, City Management and Budget Committee made a concerted effort to reduce all expenditures wherever possible. The General revenues that seem to be improving consistently, and are anticipated to do so for the next year, are; Fines at \$20 thousand. Property Taxes had an increase of \$2 thousand; it is also expected to continue into the next year as assessed value of property within the City is starting to recover.

As discussed earlier, the City's governmental activities are categorized into the following programs: Administrative, Public Safety, Parks department, Planning department, Building department, and Highways and Streets.

Administrative activities are activities not categorized in any of the programs and include central services such as governmental, building, planning, and police receipts, public works administration and support, and administration and financial services.

Business-Type Activities

Business-type activities are self-supporting where revenues are expected to cover expenses. Business-type activities decreased the City's net position by over \$155 thousand. The decrease can be attributable primarily to the increase in expenses of \$641 thousand. By examining the operating cash flow activities of the business-type funds, it is worth noting the operating activities generated positive cash flow of \$278 thousand, overall, business-type cash flows increased by \$35 thousand. For comparative purposes, charges for services in the business-type funds increased \$146 thousand (12 percent).

FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund and Special Revenue Funds.

At the end of the current year, the City's governmental funds had combined ending fund balances of \$3.47 million, an increase of \$330 thousand (10 percent) from the prior year's fund balances of \$3.1 million. Fines and Forfeitures, Intergovernmental, and Earnings on Investments all have increased. Additional areas that have increased are Licenses and Permits and Charges for Services. Total expenditures decreased from the prior year, from \$3.597 million to \$2.992 million, a decrease of 17 percent.

The ending fund balances comprised of \$3.47 million, \$843 thousand of which was unassigned and available for spending by the City within the purposes specified for the City's funds. Of the \$2.6 million difference, \$658 thousand is restricted for K-9 program, Debt Services, Street SDC's, IDC's, Hwy 99 repairs, and Park and Recreation SDC's. \$1.3 million is committed for Traffic Court Equipment, Jackson County Fine Share, Advertising Promotions, Tourist Usage, and Capital Improvements. \$718 thousand is assigned for Police Equipment Replacement and Street repairs.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$907 thousand up from \$812 thousand in the previous year, an increase of \$95 thousand. Although expenditures increased by \$204 thousand, revenues increased by \$170 thousand. Unassigned fund balance represents 45 percent of total General Fund expenditures. This is a good measure of the General Fund's liquidity as it is common for governmental agencies to require either their first quarter of expenses or a 25 percent minimum fund balance policy.

Other major governmental funds include the Street Fund and the Street Improvement Fund. Fund balances increased by \$61 thousand in the Street Fund, and decreased in the Street Improvement Fund by \$571 thousand.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The Water Fund is primarily used to account for the daily operations of the City's water services. The fund balance of the Water Fund decreased by \$156 thousand (7 percent) during the year. This decrease is primarily due to a decrease

in operating revenues of \$116 thousand with an increase in operating expenses of \$166 thousand. The non-major proprietary funds, which are combined with the Water Fund for financial reporting, contribute to this change since they are primarily used as support for the City's water operations through debt payments as well as constructing and acquiring capital assets. Further discussions pertaining to current 2015-2016 proprietary debt activity is detailed on page 10 regarding the issuance of refunding obligations by the City in June of 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were changes to the General Fund budget during the 2015-16 fiscal year. These changes affected different areas. Typically transfers move appropriation authority within the different Funds to avoid over-expenditures of the City's budgeted appropriations. During the year, the City did not over-expend its appropriation authority.

CAPITAL ASSETS

As of June 30, 2016, the City had invested \$11.11 million in capital assets, net of depreciation of \$3.75 as reflected in the following table, which represents a net increase (additions, deductions, and depreciation) of \$62 thousand, or 1 percent.

Major events affecting capital assets for the 2015-16 fiscal year are as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 278,276	\$ 21,731	\$ 300,007
Buildings and Improvements	561,322	846,843	1,408,165
Machinery and Equipment	167,194	65,527	232,721
Infrastructure	2,700,106	2,080,787	4,780,893
Construction in Progress (CIP)	<u>208,158</u>	<u>435,589</u>	<u>643,747</u>
Total	<u>\$ 3,915,056</u>	<u>\$ 3,450,477</u>	<u>\$ 7,365,533</u>

There were over \$352 thousand in new additions during the 2015-16 fiscal year. These consisted of:

Government Capital Assets

Plaza Project	\$ 200,000
West 1st Street Improvements	8,158
Marquess	<u>6,269</u>
Total	<u>\$ 214,427</u>

Business-Type Capital Assets

Church Street Storm Drain System	\$ 5,774
Fern Valley Interchange Waterline Design	4,230
Water Meter Replacement	29,875
Locke Lane and Coral Circle	63,994
SCADA Project	<u>34,537</u>
Total	<u>\$ 138,410</u>

The capital assets for the previous 2014-15 fiscal year were as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 278,276	\$ 21,731	\$ 300,007
Buildings and Improvements	609,073	896,974	1,506,047
Machinery and Equipment	195,014	91,136	286,150
Infrastructure	1,122,498	2,056,822	3,179,320
Construction in Progress (CIP)	<u>* 1,634,819</u>	<u>396,822</u>	<u>2,031,641</u>
Total	<u>\$ 3,839,680</u>	<u>\$ 3,463,485</u>	<u>\$ 7,303,165</u>

* The major increases to the Governmental CIP during the prior 2014-15 fiscal year primarily were from:

Plaza Project-Capital Reserve Fund	<u>\$ 208,158</u>
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Please refer to the notes to the basic financial statements for further detailed information.

DEBT ADMINISTRATION

As of year-end, the City had \$5.011 million in long-term debt outstanding compared to \$1.973 million in the previous year. The \$3.02 million net increase is a result of new bond issuances during the year. Debt outstanding by type at year-end is comprised of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Auto Leasing Specialists	\$ -	\$ -	\$ -
Full Faith & Credit, Series 2015	-	1,755,000	1,755,000
Lost Creek Water Storage Contract #1	-	131,068	131,068
Full Faith & Credit, Series 2015B	2,515,000	-	2,515,000
Full Faith & Credit, Series 2015C	610,000	-	610,000
Total	\$ 3,125,000	\$ 1,886,068	\$ 5,011,068

The City issued \$2.1 million of water revenue bonds on November 16, 2000 for construction of a new reservoir and Phoenix's portion of the water Intertie from Medford to Talent, and then to Ashland. The bonds are actually two issues, Phase I and Phase II. The water revenue bonds are repaid from special assessments on property owners who benefitted from certain public improvements, with an additional pledge of ad valorem taxes to fund any deficiencies. These two debt obligations were paid off, in full, with the proceeds of the issuance of refunding bonds, as follows:

Advanced Refunding Bonds - Series 2015

On June 30, 2015 the City issued \$1,815,000 of full faith and credit refunding obligation bonds, Series 2015, the proceeds of which retired, in full, two above existing Water Revenue Bonds (Phase I, Loan 91-03, in the amount principal paid of \$935,386 and Phase II, Loan 91-05, in the amount principal paid of \$921,921) totaling \$1,857,307 of principal owing as of the refunding issuance date. These water revenue refunding bonds were issued at a premium on \$114,452, and, carried issuance costs, underwriter discounts, and fees amount to \$57,002. This advanced refunding was undertaken by the bonds, retiring existing debts carrying interests cost of about 4.75% to the City, along with the taking advantage of net premiums, at refunding issuance, mentioned above. Differences in overall costs could amount to over \$625,000 in savings to the City comparing the total amortization schedules of the two defeased bonds to the advanced refunding bonds amortization schedule below. Principal and interest payments will be made from the Water Fund with the advance refunding bonds amortization schedule which is detailed in NOTE 7 B on page 36 of the notes to the financial statements.

Full Faith and Credit Bonds – Series 2015B & 2015C

On September 29, 2015, the City issued \$3,320,000 of full faith and credit obligations bonds, Series 2015B and 2015C, to finance projects in the City's urban renewal area and to pay for costs of issuance of \$(62,290), sale and delivery of the bonds at a premium of \$245,812. In conjunction with the issuance of the bonds, the City and Phoenix Urban Renewal Agency (PhURA) entered into an intergovernmental agreement, where the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2015B and 2015C obligations under the terms of such obligations.

During the 07-08 fiscal year, the City of Phoenix received \$350,000 payable to the United States Department of Agriculture through Rural Development. The loan was to pay for the renovation of the City Hall, Police Station and Fire Hall Dormitory buildings. The loan was paid off in a previous fiscal year 2013-14.

Debt Limitation and Ratings

The City is well within its debt limitation with no amounts of outstanding debt subject to this limitation. Please refer to the notes to the basic financial statements for further detailed information.

CHANGES AND IMPROVEMENTS THAT HAVE IMPACT ON ECONOMIC FACTORS DURING THE YEAR

Highlights for the fiscal year 2015-16 budget are as follows:

- On September 29, 2015 the City issued \$3,320,000 of full faith and credit obligations bonds, Series 2015B and 2015C, to finance projects in the City's urban renewal area and to pay for costs of issuance, sale and delivery of the bonds. In conjunction with the issuance of the bonds, the City and Phoenix Urban Renewal Agency (the Agency) entered into an intergovernmental agreement, where the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2015B and 2015C obligations under the terms of such obligations.
- The City and Phoenix Urban Renewal Agency have secured \$60,000 in grant funding towards costs associated with the Phoenix Plaza project.
- During September 2015 Special Election, the citizens of Phoenix passed a measure imposing a \$0.02 per gallon motor vehicle diesel fuel tax to raise revenues necessary for the construction, reconstruction, improvement, repair, maintenance, operation and use of the public street system in the City.
- The City was awarded a planning grant by the Oregon Parks and Recreation Department for the purpose of updating the parks and recreation element of the City's Comprehensive Plan.
- The City will begin the process towards expanding its urban growth boundary area. The expansion may bring in 70 acres of residential land and 260 acres of employment land.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Highlights for the fiscal year 2016-17 budget are as follows:

- The City and Phoenix Urban Renewal Agency will continue its partnership after the issuance of \$3.5 million in full faith and credit obligations, which will bring the start of construction of the Phoenix Plaza buildings as well as other development opportunities along Main Street, Bear Creek Drive and the south couplet area.
- The Fern Valley Interchange Project is set to be fully completed in this fiscal year, which will provide improved access for developments within the City.
- The revitalization of the downtown area is well underway with the completion of the road project between 2nd and 3rd street; the anticipated commercial development of a large national franchise; and the new business openings.
- The City will complete the update of the parks and recreation element of the City's Comprehensive Plan with the assistance of a planning grant awarded to the City by the Oregon Parks and Recreation Department.
- The City's urban growth boundary expansion process will continue as we work towards updating the Comprehensive Plan. The expansion may bring in 70 acres of residential land and 280 acres of employment land.
- An analysis of the local economic opportunity has been completed.
- The City received a one-time payment of \$40,000 from the City of Talent per a settlement agreement to resolve water losses suffered by the City that were not compensated for in the period incurred.
- The completion of the update to the Supervisory Control and Data Acquisition (SCADA) was accomplished in August 2016. The SCADA upgrade was performed in an effort to prevent further costly repairs and staff overtime due to running the system manually.
- The City voted in favor of a three percent recreational marijuana tax with designated revenue towards parks, education, and public safety.

- 1st, Sharon and Church Street Stormwater Management improvements are scheduled to be completed during the year.
- The City completed improvements to the water distribution services by providing an additional TAP line connection along North Rose Street.
- The City successfully renegotiated a three year Collective Bargaining Agreement with both the Police and General Units, effective January 1, 2017.
- The City executed a new three year contract with Medford Water Commission to receive wholesale water for distribution to our retail water customers.

The City is continuing to make changes to ensure that the financial situation stays stable for the governmental funds and improvements are being made for the business type funds.

REQUEST FOR INFORMATION

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall at 112 West 2nd Street, Phoenix, Oregon 97535. The City's telephone number is 541-535-1955.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

CITY OF PHOENIX, OREGON
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 4,084,094	\$ 672,908	\$ 4,757,002
Taxes receivables	65,682	-	65,682
Accounts receivables	380,801	159,726	540,527
Prepaid items	2,556	1,423	3,979
Intergovernmental receivable	3,359,392	-	3,359,392
Capital assets, net	3,887,241	3,323,871	7,211,112
Total assets	<u>11,779,766</u>	<u>4,157,928</u>	<u>15,937,694</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	38,346	9,586	47,932
LIABILITIES			
Accounts payable	103,846	42,285	146,131
Accrued interest payable	52,286	32,028	84,314
Accrued compensated absences	63,374	8,692	72,066
Net pension liability	390,567	97,642	488,209
Intergovernmental payable	1,125,000	-	1,125,000
Customer deposits	12,597	3,203	15,800
Due (from)/to other funds	(4,909)	4,909	-
Long-term Debt			
Due within one year	120,000	66,377	186,377
Due in more than one year, net of discounts and premiums	3,005,000	1,819,691	4,824,691
Total liabilities	<u>4,867,761</u>	<u>2,074,827</u>	<u>6,942,588</u>
DEFERRED INFLOWS			
Deferred amounts related to pensions	162,916	40,729	203,645
Total liabilities and deferred inflows	<u>5,030,677</u>	<u>2,115,556</u>	<u>7,146,233</u>
NET POSITION			
Invested in capital assets, net	3,887,241	1,437,803	5,325,044
Restricted			
Debt Service	-	66,377	66,377
SDC's	217,942	136,220	354,162
Interchange Development	2,897	-	2,897
Highway 99 Maintenance	56,729	-	56,729
Urban Renewal	378,640	-	378,640
K-9 Contributions	1,829	-	1,829
Skyline Water Pump	-	34,129	34,129
Unrestricted	2,242,157	377,429	2,619,586
Total net position	<u>\$ 6,787,435</u>	<u>\$ 2,051,958</u>	<u>\$ 8,839,393</u>

See accompanying notes to the basic financial statements.

CITY OF PHOENIX, OREGON
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>
Governmental activities			
Executive	\$ 132,132	\$ -	\$ -
Administration	158,096	-	-
Public safety	1,249,713	-	-
Parks Department	115,515	3,931	-
Building Department	127,486	38,073	-
Planning Department	129,317	-	-
Highways and Streets	603,374	239,979	-
Non-Departmental	677,980	-	-
	<u>3,193,613</u>	<u>281,983</u>	<u>-</u>
Total governmental activities			
Business-type activities			
Water	1,511,967	1,324,896	-
	<u>1,511,967</u>	<u>1,324,896</u>	<u>-</u>
Total business-type activities			
	<u>1,511,967</u>	<u>1,324,896</u>	<u>-</u>
Total government	<u>\$ 4,705,580</u>	<u>\$ 1,606,879</u>	<u>\$ -</u>
General revenues			
Taxes			
Property Taxes			
Tax increment revenues			
Licenses and Permits			
Intergovernmental			
Franchise Fees			
Fines and Forfeitures			
Interest and investment earnings			
Interest expense			
Transfers, net			
Contributions of capital			
Total general revenues and transfers			
Change in net position			
NET POSITION - BEGINNING			
As restated			
ENDING NET POSITION			

See accompanying notes to the basic financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (132,132)	\$ -	\$ (132,132)
(158,096)	-	(158,096)
(1,249,713)	-	(1,249,713)
(111,584)	-	(111,584)
(89,413)	-	(89,413)
(129,317)	-	(129,317)
(363,395)	-	(363,395)
<u>(677,980)</u>	<u>-</u>	<u>(677,980)</u>
<u>(2,911,630)</u>	<u>-</u>	<u>(2,911,630)</u>
<u>-</u>	<u>(187,071)</u>	<u>(187,071)</u>
<u>-</u>	<u>(187,071)</u>	<u>(187,071)</u>
<u>(2,911,630)</u>	<u>(187,071)</u>	<u>(3,098,701)</u>
1,027,901	-	1,027,901
234,392	-	234,392
281,983	-	281,983
478,565	-	478,565
395,341	-	395,341
282,914	-	282,914
19,243	77	19,320
(91,678)	-	(91,678)
(9,957)	9,957	-
<u>(21,164)</u>	<u>21,164</u>	<u>-</u>
<u>2,597,540</u>	<u>31,198</u>	<u>2,628,738</u>
<u>(314,090)</u>	<u>(155,873)</u>	<u>(469,963)</u>
<u>7,101,525</u>	<u>2,207,831</u>	<u>9,309,356</u>
<u>\$ 6,787,435</u>	<u>\$ 2,051,958</u>	<u>\$ 8,839,393</u>

FUND FINANCIAL STATEMENTS

CITY OF PHOENIX, OREGON
Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>	<u>Street Fund</u>	<u>Street Improvement Fund</u>
ASSETS			
Cash and investments	\$ 617,468	\$ 690,650	\$ 131,018
Due from other funds	210	-	-
Accounts receivable	324,095	56,706	-
Property tax receivable	65,682	-	-
Intergovernmental receivable	-	-	-
Prepaid expenses	1,403	1,153	-
Total assets	<u>\$ 1,008,858</u>	<u>\$ 748,509</u>	<u>\$ 131,018</u>
LIABILITIES			
Accounts payable	\$ 30,273	\$ 9,910	\$ 4,700
Due to Other Funds	4,443	467	-
Intergovernmental payable	-	-	-
Customer deposits	8,365	-	-
Total liabilities	<u>\$ 43,081</u>	<u>\$ 10,377</u>	<u>\$ 4,700</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	\$ 59,090	\$ -	\$ -
Total Deferred Inflows of Resources	<u>\$ 59,090</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted			
Interchange Development	\$ -	\$ -	\$ 2,897
Highway 99 Maintenance	-	56,729	-
Street SDC's	-	-	123,421
Parks and Recreation SDC's	-	-	-
Urban Renewal	-	-	-
K-9 Contributions	1,829	-	-
Committed For			
Traffic Court Equipment	6,362	-	-
Jackson County Fine Share	18,340	-	-
Advertising Promotion	-	-	-
Tourist Usage	-	-	-
Capital Improvements	-	-	-
Assigned			
Police Equipment Replacement	35,655	-	-
Streets	-	680,250	-
Nonspendable	1,403	1,153	-
Unassigned	843,098	-	-
Total fund balances	<u>906,687</u>	<u>738,132</u>	<u>126,318</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,008,858</u>	<u>\$ 748,509</u>	<u>\$ 131,018</u>

See accompanying notes to the basic financial statements.

Capital Reserve Fund	Phoenix Urban Renewal Agency Bond Fund	Other Governmental Fund	Total
\$ 1,283,823	\$ 1,269,248	\$ 91,887	\$ 4,084,094
-	-	5,377	5,587
-	-	-	380,801
-	-	-	65,682
-	234,392	-	234,392
-	-	-	2,556
<u>\$ 1,283,823</u>	<u>\$ 1,503,640</u>	<u>\$ 97,264</u>	<u>\$ 4,773,112</u>
\$ 58,963	\$ -	\$ -	\$ 103,846
-	-	-	4,910
-	1,125,000	-	1,125,000
-	-	-	8,365
<u>\$ 58,963</u>	<u>\$ 1,125,000</u>	<u>\$ -</u>	<u>\$ 1,242,121</u>
\$ -	\$ -	\$ -	\$ 59,090
\$ -	\$ -	\$ -	\$ 59,090
\$ -	\$ -	\$ -	\$ 2,897
-	-	-	56,729
-	-	-	123,421
-	-	94,521	94,521
-	378,640	-	378,640
-	-	-	1,829
-	-	-	6,362
-	-	-	18,340
-	-	683	683
-	-	2,060	2,060
1,224,860	-	-	1,224,860
-	-	-	35,655
-	-	-	680,250
-	-	-	2,556
-	-	-	843,098
<u>1,224,860</u>	<u>378,640</u>	<u>97,264</u>	<u>3,471,901</u>
<u>\$ 1,283,823</u>	<u>\$ 1,503,640</u>	<u>\$ 97,264</u>	<u>\$ 4,773,112</u>

CITY OF PHOENIX, OREGON
Reconciliation of Governmental Funds Balance Sheet to
Statement of Net Position
June 30, 2016

FUND BALANCES	\$ 3,471,901
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
 Certain items are not current financial resources in governmental funds, but are reported in the Statement of Net Position:	
Cost of capital assets, net	3,887,241
Intergovernmental receivable	3,125,000
Deferred outflows of resources related to pensions	38,346
Deferred property tax program revenue recognized as current activity and revenue recognition	59,090
 Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	
Accrued Vacation and Comp Time	(63,374)
 Other long-term liabilities are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Deferred inflows of resources related to pensions	(162,916)
Accrued interest payable	(52,286)
Net pension liability	(390,567)
Long-term debt payable	<u>(3,125,000)</u>
 TOTAL NET POSITION	 \$ <u><u>6,787,435</u></u>

See accompanying notes to the basic financial statements.

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>	<u>Street Fund</u>	<u>Street Improvement Fund</u>
REVENUES			
Taxes	\$ 1,012,031	\$ -	\$ -
Charges for services	38,073	234,793	5,186
Licenses and permits	85,150	-	-
Investment revenue	10,163	8,704	56
Intergovernmental	144,567	333,998	-
Grants	2,535	-	-
Franchise Fees Revenue	327,615	67,726	-
Fines and Forfeitures	282,914	-	-
Miscellaneous	69,174	44,850	-
Total revenues	<u>1,972,222</u>	<u>690,071</u>	<u>5,242</u>
EXPENDITURES			
Current			
Executive	124,792	-	-
Administrative	128,853	-	-
Planning Department	122,107	-	-
Parks Department	95,672	-	-
Building Department	121,981	-	-
Police Department	1,180,896	-	-
Highways and Streets	2,600	429,039	1,450
Non-Departmental	101,152	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	169	10,837	200,000
Total expenditures	<u>1,878,222</u>	<u>439,876</u>	<u>201,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,000</u>	<u>250,195</u>	<u>(196,208)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Intergovernmental loan	-	-	-
Operating transfers in	2,000	-	-
Operating transfers out	(153,515)	(123,886)	(174,761)
Total other financing sources (uses)	<u>(151,515)</u>	<u>(123,886)</u>	<u>(174,761)</u>
Net change in fund balances	(57,515)	126,309	(370,969)
BEGINNING FUND BALANCE- as originally reported	812,087	677,004	697,287
Restatement for capital outlay	-	(65,181)	(200,000)
Restatement for Debt Service Intertie	152,115	-	-
ENDING FUND BALANCE	<u>\$ 906,687</u>	<u>\$ 738,132</u>	<u>\$ 126,318</u>

See accompanying notes to the basic financial statements.

Capital Reserve Fund	Phoenix Urban Renewal Agency Bond Fund	Other Governmental Funds	Total
\$ -	\$ 234,392	\$ 11,590	\$ 1,258,013
-	-	3,931	281,983
-	-	-	85,150
72	118	12	19,125
-	-	-	478,565
-	-	-	2,535
-	-	-	395,341
-	-	-	282,914
86,269	-	-	200,293
<u>86,341</u>	<u>234,510</u>	<u>15,533</u>	<u>3,003,919</u>
-	-	-	124,792
-	-	-	128,853
-	-	-	122,107
-	-	14,600	110,272
-	-	-	121,981
-	-	-	1,180,896
-	-	-	433,089
-	62,290	16,491	179,933
-	195,000	-	195,000
-	39,392	-	39,392
144,630	-	-	355,636
<u>144,630</u>	<u>296,682</u>	<u>31,091</u>	<u>2,991,951</u>
<u>(58,289)</u>	<u>(62,172)</u>	<u>(15,558)</u>	<u>11,968</u>
-	3,565,812	-	3,565,812
-	(3,125,000)	-	(3,125,000)
440,205	-	-	442,205
-	-	-	(452,162)
<u>440,205</u>	<u>440,812</u>	<u>-</u>	<u>430,855</u>
381,916	378,640	(15,558)	442,823
842,944	-	112,822	3,142,144
-	-	-	(265,181)
-	-	-	152,115
<u>\$ 1,224,860</u>	<u>\$ 378,640</u>	<u>\$ 97,264</u>	<u>\$ 3,471,901</u>

CITY OF PHOENIX, OREGON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
For the Year Ended June 30, 2016

Excess of Revenues over (under) Expenditures	\$	442,823
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.</p>		
Pension expense		(519,802)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Additions to Capital Assets	\$ 214,427	
Depreciation Expense	<u>(139,051)</u>	
		75,376
Contribution of capital		(21,164)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.</p>		
Compensated Absences	(18,102)	
PhURA bond interest expense	(52,286)	
Capital lease principal payment	20,597	
PhURA bond principal payment	<u>195,000</u>	
		145,209
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred Revenues		4,280
Bond proceeds		(3,565,812)
Intergovernmental loan		<u>3,125,000</u>
CHANGE IN NET POSITION	\$	<u>(314,090)</u>

See accompanying notes to the basic financial statements.

CITY OF PHOENIX, OREGON
Statement of Net Position
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	<u>Water Funds</u>
ASSETS	
Current assets	
Cash and investments	\$ 672,908
Accounts receivable, net	159,726
Prepaid items	1,423
Total current assets	<u>834,057</u>
Noncurrent assets	
Capital assets, net	<u>3,323,871</u>
Total assets	<u>4,157,928</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>9,586</u>
Total assets and deferred outflows	<u>\$ 4,167,514</u>
LIABILITIES	
Current liabilities	
Accounts payable	42,285
Due to Other Funds	677
Accrued Compensated Absences	8,692
Accrued interest payable	32,028
Net Pension Liability	97,642
Long Term Debt, Current Portion	<u>66,377</u>
Total current liabilities	247,701
Noncurrent liabilities	
Long Term Debt, Net of Current Portion, and net of unamortized premiums, discounts and issuance costs	<u>1,819,691</u>
Total liabilities	<u>2,067,392</u>
DEFERRED INFLOWS OF RESOURCES	
Customer deposits	7,435
Deferred amounts related to pensions	<u>40,729</u>
Total deferred inflows	<u>48,164</u>
NET POSITION	
Invested in capital assets	1,437,803
Restricted for	
Debt Services	66,377
SDC's	136,220
Unrestricted	<u>411,558</u>
Total net position	<u>2,051,958</u>
Total liabilities, deferred inflows, and net position	<u>\$ 4,167,514</u>

See accompanying notes to the basic financial statements.

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenses, and Changes in Fund Net Position
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	<u>Water Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,254,253
Franchise Fees	15,238
Miscellaneous	<u>14,671</u>
Total operating revenues	<u>1,284,162</u>
OPERATING EXPENSES	
Public works	
Personal services	634,230
Materials and services	511,900
Depreciation	<u>151,417</u>
Total operating expenses	<u>1,297,547</u>
Operating income (loss)	<u>(13,385)</u>
NON-OPERATING REVENUES (EXPENSES)	
Net pension expense	(128,790)
Investment revenue	77
System Development Charges	40,734
Interest Expense	<u>(64,466)</u>
Total non-operating revenues (expenses)	<u>(152,445)</u>
Change in net position, before other financing sources (uses)	<u>(165,830)</u>
OTHER FINANCING SOURCES (USES)	
Contributed capital	-
Operating transfers in	177,240
Operating transfers out	<u>(167,283)</u>
Total other financing sources (uses)	<u>9,957</u>
Net change in net position	<u>(155,873)</u>
BEGINNING NET POSITION	<u>2,207,831</u>
ENDING NET POSITION	<u><u>\$ 2,051,958</u></u>

See accompanying notes to the basic financial statements.

CITY OF PHOENIX, OREGON
Statement of Cash Flows
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,276,411
Cash payments for goods and services	(488,433)
Cash payments to employees	(509,584)
	\$ 278,394
CASH FLOWS USED BY NON-CAPITAL FINANCING ACTIVITIES	
Operating transfers in	177,240
Operating transfers out	(167,283)
	9,957
CASH FLOWS FROM/(USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash received from SDC's	40,734
Prepayment of bond principal at refundings, (defeasance)	(66,176)
Bond interest paid	(64,878)
Purchase of capital assets	(138,409)
Deferred pension amounts	(24,508)
	(253,237)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	77
Increase in cash and investments	35,191
CASH AND INVESTMENTS, BEGINNING OF YEAR	637,717
CASH AND INVESTMENTS, END OF YEAR	\$ 672,908
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (loss)	\$ (13,385)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	151,417
(Increase) in accounts receivable	(7,751)
Decrease in prepaid items	9,800
Decrease in pension asset	34,595
Increase in payables and accrued liabilities	6,076
Increase in pension liability	97,642
	\$ 278,394

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the basic financial statements consist of a summary of significant accounting policies and all additional information necessary for a fair presentation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America.

**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The City of Phoenix is a municipal corporation governed by a mayor and an elected council. Accounting principles generally accepted in the United States of America require that these financial statements present the City (the primary government) and all component units, if any. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The City does not have any component units.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The more significant of the accounting policies are described below.

The accompanying financial statements present all activities and funds for which the City is considered 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.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The City reports the following *major governmental funds*:

General Funds - This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes, building permits, utility franchise fees, fines and forfeitures.

Special Revenue Funds - These funds account for revenue derived from specific taxes or other earmarked revenue sources, including federal and state grant awards, which are legally restricted to finance particular functions or activities. The following funds are included in this category:

Street Fund - This fund accounts for services and debt principal and interest payments made related to street rehabilitation. Principal sources of revenues are intergovernmental revenues, grant awards, and charges for services.

Street Improvement Fund - This fund accounts for capital improvement projects which increase capacity for the city. Principal sources of revenue are charges for services.

Capital Reserve Fund - During the previous fiscal year the City approved the creation of a capital improvement plan. In conjunction with the plan, the City established this Capital Reserve Fund, initially for the 2014-15 previous fiscal year, to provide that reserve funds are established to accumulate money from year to year for a specific purpose, such as infrastructure and/or purchase of new equipment, at the discretion of the City Council.

Phoenix Urban Renewal Bond Fund - During the current fiscal year ended June 30, 2016, the City established this fund to account for the bond issuances described on pages 35 and 36 in NOTE 7A on behalf of the Phoenix Urban Renewal Agency (PhURA) as stipulated in a September, 2015, Intergovernmental Agreement between the City and the Agency, a separate government of itself. The proceeds of the two issuances of 2015B and 2015C are recorded in this fund of the City to be sent to the PhURA for major City projects and capital improvement expenditures. The PhURA, in turn, is to transfer annual tax increment revenues back to the City to service the two debt obligations.

Enterprise Funds - These funds account for the acquisition, operation and maintenance of facilities and services, which are entirely or predominantly self-supporting through service charges to customers. The following funds are included in this category:

Water Fund - This fund accounts for the maintenance, operation, and construction of the City's water intake, purification, and delivery systems, as well as the City's wastewater collection and treatment system. Principal sources of revenue are user fees, franchise fees, and systems development charges.

The following funds are budgeted separately, but their activity rolls in to the Water Fund in the Proprietary Fund Statements:

Water Systems Development Charges Fund - This fund accounts for water system expansion and improvement, including the construction of a new water reservoir on the east side of Interstate 5 for future development in that area. Principal sources of revenue are system development charges and earnings on investments.

Stormwater Systems Development Charges Fund - Payments from customers are received as a reimbursement for prior and future improvements to the stormwater system.

C. GOVERNMENT WIDE FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable to accrue as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

E. GRANTS

Unreimbursed grant expenditures due from grantor agencies are recorded in the basic financial statements as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures is recorded as Deferred Revenue in the combined balance sheet.

F. PROPERTY TAXES RECEIVABLE

Ad valorem property taxes are a lien on all taxable property as of July 1. Property taxes are levied and payable on November 15. Taxes are administrated by the County. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year-end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

G. BUDGETS

A budget is prepared for all funds in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. For governmental fund types, the budgetary basis of accounting is the same as generally accepted accounting principles. The budget process begins early in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

General Fund expenditures are appropriated by department. Expenditure budgets for all other funds are appropriated at the following levels:

LEVEL OF CONTROL

Personal Services

Materials and Services

Capital Outlay

Contingencies and Transfers

Debt Service

Expenditures cannot legally exceed the above appropriation levels except in the case of restricted revenues which could not be estimated at the time of budget adoption. Appropriation authority may be transferred from one level of control to another by Council resolution. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amounts and two appropriations transfers. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2016.

H. CAPITAL ASSETS INCLUDING EQUIPMENT LEASED UNDER CAPITAL LEASE

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life extending beyond a single reporting period, (one year). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets in the proprietary fund types are stated at cost, or the estimated fair market value at the date of receipt for gifts or projects constructed by others and accepted for ownership and maintenance by the City.

Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related Assets. Upon disposal of the assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in operations. Estimated useful lives used in computing depreciation are:

Buildings and Improvements	10 to 50 years
Machinery and Equipment	3 to 25 years
Infrastructure	15 to 40 years

I. LONG-TERM OBLIGATIONS

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

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

J. VESTED COMPENSATED ABSENCES

Vested or accumulated vacation leave, including comp time, that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No expenditure is reported for these amounts. Vacation leave is reported as an expense of the Enterprise Funds when earned. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Unpaid sick pay lapses upon termination of employment.

K. RETIREMENT PLANS

All eligible employees may participate in the Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

L. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

M. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Proprietary Funds consider cash to include their proportional share of the cash and investment common pool since it has the general characteristics of demand deposit accounts in that the Proprietary Funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

N. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. FUND BALANCE

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

- Nonspendable fund balance represents amounts that are not in a spendable form. The City does not have any fund balance items in this category.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation). Restricted fund balances for the City include the ending fund balances of the City Hall Debt Reserve Fund, Debt Reserve Fund, Street Systems Development Charges, Parks and Recreation Systems Development Charges, and any unspent State Gas Taxes in the Street Fund.
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds is approved by resolution. The City has Committed fund balances for Greenway Maintenance, Advertising Promotion, Capital Improvements (page 22), and Tourist Usage.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Management has been granted authority to assign fund balance in the Street Fund.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual Fund balance as unassigned.

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

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. In accordance with the policy, the City has determined that the minimum fund balance for the General Fund should be equal to four months of General Fund expenditures.

P. NET POSITION

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Invested in capital assets - consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of all other net position that are not included in the other categories previously mentioned.

Q. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. As a separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items classified in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does have advanced customer deposits classified in this category.

NOTE 2 - CASH AND INVESTMENTS

Cash management policies are governed by state statutes. Statutes authorized investing in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments. In addition, cash is separately held by some of the funds.

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. As of June 30, 2016, all of the bank balance of \$2,104,300 was insured by FDIC.

Deposits with financial institutions are comprised of the bank demand deposits and certificates of deposit. The total balance per the bank statements at June 30, 2016 was \$2,104,300. Of these deposits, the entire amount was covered by federal depository insurance. If any balances were uninsured by the FDIC, they would be collateralized by the State of Oregon.

Cash and Investments (recorded at cost) consisted of the following as of June 30, 2016:

Petty Cash		\$	177
Demand Deposits			301,075
Umpqua Bank Sweep Account	\$	58,791	
State Treasurer's Investment Pool		<u>2,831,406</u>	
Investments			<u>2,890,197</u>
Total		\$	<u>3,191,449</u>

A. Investments

The policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

There were the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Levels 2 & 3</u>
Umpqua Bank Sweep Account	\$ 58,791	\$ 58,791	\$ -
State Treasurer's Investment Pool	<u>2,831,404</u>	<u>2,831,404</u>	<u>-</u>
Total	\$ <u>2,890,195</u>	\$ <u>2,890,195</u>	\$ <u>-</u>

B. Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There were no investments that have a maturity date.

C. Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

D. Concentration of Credit Risk/Deposit Risk

At June 30, 2016, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this institution. Oregon revised statutes require no more than 25 percent of the monies of local governments to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2016, there was compliance with all percentage restrictions.

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total balance per the bank statements at June 30, 2016 was \$2,104,300. Of these deposits, the entire amount was covered by federal depository insurance. If any balances were uninsured by the FDIC, they would be collateralized by the State of Oregon.

NOTE 3 - CAPITAL ASSETS

Changes in Governmental capital assets for the year ended June 30, 2016 are as follows:

<u>Description</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
Capital assets not depreciated				
Land	\$ 278,276	\$ -	\$ -	\$ 278,276
Construction in Progress	<u>1,634,819</u>	<u>208,158</u>	<u>1,634,819</u>	<u>208,158</u>
Total capital assets not being depreciated	<u>1,913,095</u>	<u>208,158</u>	<u>1,634,819</u>	<u>486,434</u>
Capital assets being depreciated				
Building and improvements	1,193,769	-	-	1,193,769
Machinery and equipment	472,131	-	-	472,131
Infrastructure	<u>1,434,280</u>	<u>1,641,088</u>	<u>-</u>	<u>3,075,368</u>
Total capital assets being depreciated	<u>3,100,180</u>	<u>1,641,088</u>	<u>-</u>	<u>4,741,268</u>
Total capital assets	<u>5,013,275</u>	<u>1,849,246</u>	<u>(1,634,819)</u>	<u>5,227,702</u>
Less accumulated depreciation				
Buildings and improvements	(584,696)	(47,751)	-	(632,447)
Machinery and equipment	(277,117)	(27,820)	-	(304,937)
Infrastructure	<u>(311,782)</u>	<u>(63,480)</u>	<u>-</u>	<u>(375,262)</u>
Total accumulated depreciation	<u>(1,173,595)</u>	<u>\$ (139,051)</u>	<u>-</u>	<u>(1,312,646)</u>
Total net capital assets - governmental	<u>\$ 3,839,680</u>	<u>\$ 75,376</u>	<u>\$ -</u>	<u>\$ 3,915,056</u>

Changes in Business - Type capital assets for the year ended June 30, 2016 are as follows:

<u>Description</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
Capital assets not depreciated				
Land	\$ 21,731	\$ -	\$ -	\$ 21,731
Construction in Progress	<u>396,822</u>	<u>38,767</u>	<u>-</u>	<u>435,589</u>
Total capital assets not being depreciated	<u>418,553</u>	<u>38,767</u>	<u>-</u>	<u>457,320</u>
Capital assets being depreciated				
Building and improvements	1,754,602	-	-	1,754,602
Machinery and equipment	645,078	-	-	645,078
Infrastructure	<u>2,927,538</u>	<u>99,642</u>	<u>-</u>	<u>3,027,180</u>
Total capital assets being depreciated	<u>5,327,218</u>	<u>99,642</u>	<u>-</u>	<u>5,426,860</u>
Total capital assets	<u>5,745,771</u>	<u>138,409</u>	<u>-</u>	<u>5,884,180</u>
Less accumulated depreciation				
Buildings and improvements	(857,628)	(50,131)	-	(907,759)
Machinery and equipment	(553,942)	(25,609)	-	(579,551)
Infrastructure	<u>(870,716)</u>	<u>(75,677)</u>	<u>-</u>	<u>(946,393)</u>
Total accumulated depreciation	<u>(2,282,286)</u>	<u>\$ (151,417)</u>	<u>-</u>	<u>(2,433,703)</u>
Total net capital assets – business type	<u>\$ 3,463,485</u>	<u>\$ (13,008)</u>	<u>\$ -</u>	<u>\$ 3,450,477</u>

Governmental depreciation was allocated to the functions as follows:

Program	
Executive	\$ 7,340
Administrative	11,141
Planning Department	7,210
Parks Department	5,243
Building Department	5,505
Public Safety	68,817
Highways and Streets	29,076
Non-Departmental	<u>4,719</u>
 Total Governmental Activities	 \$ <u>139,051</u>

Business -type depreciation was allocated to the functions as follows:

Program	
Water Department	\$ <u>151,417</u>

NOTE 4 - INTERFUND ACTIVITY

Interfund activity during the year ended June 30, 2016 was as follows:

Fund	Transfers In	Transfers Out	Due From	Due To
General	\$ -	\$ 2,000	\$ 210	\$ 4,442
City Hall Debt Reserve	-	-	-	-
Street	-	123,886	467	467
Water	177,240	134,179	-	677
Water SDC	-	30,104	-	-
Street SDC	-	174,761	-	-
Stormwater SDC	-	3,000	-	-
Park SDC	-	-	4,909	-
Greenway Main. Reserve	2,000	-	-	-
Intertie Debt Reserve	-	151,515	-	-
Capital Reserve	<u>440,205</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>619,445</u>	\$ <u>619,445</u>	\$ <u>5,586</u>	\$ <u>5,586</u>

Transfers and interfund balances are used to fund operations and savings between funds.

NOTE 5 - RETIREMENT PLANS

A. Plan Description

The City contributes to the State of Oregon Public Employees Retirement System (PERS), which is governed by ORS Chapter 238. PERS is a single cost-sharing multiple-employer defined benefit pension plan that provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 and 238A assign the authority to establish and amend benefit provisions to the state legislature.

B. Plan Benefits

Tier One/Tier Two Retirement Benefit (Chapter 238):

Pension Benefits - The PERS retirement allowance may be selected from 13 retirement benefit options. These options include annuities, survivorship benefits and lump-sum refunds. The basic

benefit is based on years of service and final average salary. Tier One/Tier Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest) and employer funds equal to the account balance, provided certain conditions are met.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Also, monthly benefits are adjusted annually through cost-of-living changes.

OPSRP Pension Program (ORS Chapter 238A):

Pension Benefits - The Pension Program provides benefits to members hired on or after August 29, 2003. OPSRP provides a life pension funded by employer contributions. Benefits are based upon the number of years of service and the final average salary.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Monthly benefits are adjusted annually through cost-of-living changes.

C. Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The City paid 10.0% for Tier I and Tier II employees and 10.0% for OPSRP members for the fiscal year. Employer rates effective July 1, 2015 are 10% for Tier I and Tier II.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as rolled forward to June 30, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 were \$123,976. This consisted of \$55,560 from the City and \$68,416 paid by the City on behalf of employees.

Pension Plan CAFR:

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS

Actuarial methods and assumptions used in developing total pension liability:

Valuation Date	December 31, 2013 rolled forward to June 30, 2015
Measurement Date	June 30, 2015
Experience Study	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend bases on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

The method and assumptions shown above are based on the 2013 Experience Study which reviewed experience for the four-year period ending on December 31, 2013.

Discount Rate

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

Assumed Asset Allocation:

Asset Class/Strategy	Low Range		High Range		Target	
Cash	0	%	3	%	0	%
Debt Securities	15		25		20	
Public Equity	32.5		42.5		37.5	
Private Equity	16		24		20	
Real Estate	9.5		15.5		12.5	
Alternative Equity	0		10		10	
Opportunity Portfolio	0		3		0	
Total					100	%

Long-Term Expected Rate of Return:

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	7.20 %	4.70 %	4.50 %	6.60 %
Short-Term Bonds	8.00	3.76	3.70	3.45
Intermediate-Term Bonds	3.00	4.23	4.10	5.15
High Yield Bonds	1.80	7.21	6.66	11.10
Large Cap US Equities	11.65	8.60	7.20	17.90
Mid Cap US Equities	3.88	9.38	7.30	22.00
Small Cap US Equities	2.27	10.38	7.45	26.40
Developed Foreign Equities	14.21	8.73	6.90	20.55
Emerging Market Equities	5.49	11.51	7.40	31.70
Private Equity	20.00	11.95	8.26	30.00
Hedge Funds/Absolute Return	5.00	6.46	6.01	10.00
Real Estate (Property)	13.75	7.27	6.51	13.00
Real Estate (REITS)	2.50	8.41	6.76	19.45
Commodities	1.25	7.71	6.07	19.70
Assumed Inflation - Mean			2.75%	2.00%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 18, 2012, and the revised allocation adopted at the June 26, 2013 OIC meeting.

Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL/(A)]June 30, 2015

Actuarial Valuation Date (liability rolled forward to MD)	Dec. 31, 2013
Discount rate	7.75%
Employer's proportionate share at prior MD	.00797391%
Employer's proportionate share at MD	.00850322%
Employer's proportionate share of system NPL/(A) at prior MD	\$ (180,746)
Employer's proportionate share of system NPL/(A) at MD	\$ 488,209
Sensitivity: NPL/(A) using discount rate 1.00% lower	\$ 1,178,274
Sensitivity: NPL/(A) using discount rate 1.00% higher	\$ (93,335)

Employer Pension Expense for Measurement Period

Employer's proportionate share of system Pension Expense/(Income)	\$ 480,561
Net Amortization of deferred amounts from:	
Changes in proportionate share	\$ 2,065
Differences between employer contributions and Employer's proportionate share of system contributions	\$ (10,913)
Employer's Total Pension Expense/(Income)	<u>\$ 471,713</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,327	\$ -
Changes in assumptions	\$ -	-
Net difference between projected and actual earnings on pension plan investments	\$ -	102,340
Changes in proportion share	\$ 9,088	-
Differences between City contributions and City's proportionate share of system contributions	-	45,117
Total (prior to post-MD contributions)	\$ 35,415	147,457
City contributions subsequent to the MD	47,932	N/A
Net Deferred Outflow/(Inflow) of Resources	\$ 83,347	\$ (112,042)

Subsequent to the MD, the Oregon Supreme Court ruled that certain provisions of Senate Bill 861 which was signed into law in October 2013 were unconstitutional. The estimated effect for the City is an approximate \$668,955 change in the Net Pension Liability/(Asset) amount, going from \$(488,209) to \$180,746. It is not believed at this time that the District's percentage share will change because of this action.

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

Employer Subsequent Years Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2017	\$ (51,694)
2018	(51,694)
2019	(51,694)
2020	42,735
2021	306
Total	\$ (112,042)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016.

NOTE 6 - ACCRUED COMPENSATED ABSENCES

At June 30, 2016, the outstanding balance is comprised of accrued vacation time and accrued compensated time totaled \$72,066. The changes in accrued compensated absences for the year ended June 30, 2016 are as follows:

Fund	Accrued, July 1, 2015	Earned	Taken	Accrued June 30, 2016
General	\$ 81,476	\$ 49,957	\$ (68,059)	\$ 63,374
Water	16,283	7,954	(15,545)	8,692
Total	\$ 97,759	\$ 57,911	\$ (83,604)	\$ 72,066

NOTE 7 - LONG-TERM DEBT

Long-term obligations for the City changed as follows for the year ended June 30, 2016.

The City's Governmental Long-Term Debt consisted of the following:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due in 1 year
Governmental – (See parts A & B, below)					
Full Faith & Credit, Series 2015B	\$ -	\$ 2,515,000	\$ -	\$ 2,515,000	\$ -
Full Faith & Credit, Series 2015C	-	805,000	195,000	610,000	120,000
Auto Leasing Specialists	20,597	-	20,597	-	-
Total	<u>20,597</u>	<u>3,320,000</u>	<u>215,597</u>	<u>3,125,000</u>	<u>120,000</u>
Business-type activities					
Full Faith & Credit, Series 2015	1,815,000	-	60,000	1,755,000	60,000
Lost Creek Water Storage #1	137,244	-	6,176	131,068	6,377
Total	<u>1,952,244</u>	<u>-</u>	<u>66,176</u>	<u>1,886,068</u>	<u>66,377</u>
Total Long-term Debt	<u>\$ 1,972,841</u>	<u>\$ 3,320,000</u>	<u>\$ 281,773</u>	<u>\$ 5,011,068</u>	<u>\$ 186,377</u>

A. Full Faith and Credit Bonds – Series 2015B & 2015C

On September 29, 2015, the City issued \$3,320,000 of full faith and credit obligations bonds, Series 2015B and 2015C, to finance projects in the City's urban renewal area and to pay for costs of issuance of \$(62,290), sale and delivery of the bonds at a premium of \$245,812. In conjunction with the issuance of the bonds, the City and Phoenix Urban Renewal Agency (PhURA) entered into an intergovernmental agreement, where the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2015B and 2015C obligations under the terms of such obligations.

Issuance costs of these two issuances totaled \$62,290 which is expensed during the current fiscal period of 2015-2016. These issuance costs, along with net bond proceeds totaling \$3,565,812 are accounted for in the newly established special revenue fund of the City under Resolution No. 931, the PhURA Bond Fund. Accounted for in the PhURA bond fund, which also includes transfers to PhURA of \$2,000,000 in the current period, and principal and interest debt service payments totaling \$234,392. The combined debt schedules of the 2015B and 2015C bond issuances are as follows:

Year	Principal	Interest	Total
2016-2017	\$ 120,000	\$ 114,092	\$ 234,092
2017-2018	125,000	112,293	237,293
2018-2019	125,000	109,980	234,980
2019-2020	130,000	107,105	237,105
2020-2021	135,000	103,790	238,790
2021-2026	735,000	441,800	1,176,800
2026-2031	900,000	281,800	1,181,800
2031-2035	855,000	87,200	942,200
Total	<u>\$ 3,125,000</u>	<u>\$ 1,358,060</u>	<u>\$ 4,483,060</u>

Below are the separate schedules for the Full Faith and Credit Obligation Bonds 2015B and 2015C:

Series 2015B:

Year	Principal	Interest	Total
2016-2017	\$ -	\$ 100,600	\$ 100,600
2017-2018	-	100,600	100,600
2018-2019	-	100,600	100,600
2019-2020	-	100,600	100,600
2020-2021	25,000	100,600	125,600
2021-2026	735,000	441,800	1,176,800
2026-2031	900,000	281,800	1,181,800
2031-2035	855,000	87,200	942,200
Total	\$ 2,515,000	\$ 1,313,800	\$ 3,828,800

Series 2015C:

Year	Principal	Interest	Total
2016-2017	\$ 120,000	\$ 13,493	\$ 133,493
2017-2018	125,000	11,693	136,693
2018-2019	125,000	9,380	134,380
2019-2020	130,000	6,505	136,505
2020-2021	110,000	3,190	113,190
Total	\$ 610,000	\$ 44,260	\$ 654,260

B. Auto Leasing Specialists

This lease was payable over 4 years at an interest rate of 4%. The lease was to pay for the purchase of two (2) police patrol vehicles. The amount capitalized was \$80,325. Current 2015-2016 fiscal year depreciation was \$675. Annual payments of \$22,142 were payable each September 7th, with payoff at September 7, 2015. Principal and interest payments were made from the General Fund.

C. Advanced Refunding Bonds - Series 2015

On June 3, 2015 the City issued \$1,815,000 of full faith and credit refunding obligation bonds, Series 2015, the proceeds of which retired, in full, two existing Water Revenue Bonds (Phase I, Loan 91-03, in the amount principal paid of \$935,386 and Phase II, Loan 91-05, in the amount principal paid of \$921,921) totaling \$1,857,307 of principal owing as of the refunding issuance date. These water revenue refunding bonds were issued at a premium of \$114,452, and, carried issuance costs, underwriter discounts, and fees amounting to \$57,002 expensed in the enterprise water fund under GASB Statement No. 65 resulting in an adjustment of \$(81,569) to the beginning July 1, 2015, net position of the water enterprise, business-type Fund (pages 43 and 19). This advanced refunding was undertaken by the City to take advantage of substantially reduced interest costs, ranging from 1% to 4% per annum for the refunding bonds, retiring existing debts carrying interests cost of about 4.75% to the City, along with the taking advantage of net premiums, at refunding issuance, mentioned above. Differences in overall costs could amount to over \$625,000 in economic gains to the City. Principal and interest payments will be made from the Water Fund with the advance refunding bonds amortization schedule as follows, as of June 30, 2016:

Year	Principal	Interest	Total
2016-2017	\$ 60,000	\$ 60,150	\$ 120,150
2017-2018	60,000	59,250	119,250
2018-2019	65,000	58,000	123,000
2019-2020	65,000	56,700	121,700
2020-2021	65,000	55,400	120,400
2021-2026	360,000	246,825	606,825
2026-2031	435,000	173,900	608,900
2031-2036	525,000	78,500	603,500
2036	120,000	2,400	122,400
Total	\$ 1,755,000	\$ 791,125	\$ 2,546,125

The above defeased debt does not remain outstanding as of June 30, 2016, but if this advanced refunding had resulted in defeasance of debt reported by water/proprietary fund, the difference between the reacquisition price and the net carrying amount of the old debt would have been recognized as a deferred inflow of resources or a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever would have been shorter. In an advance refunding, the reacquisition price is the amount placed in escrow that, together with interest earnings would have been necessary to pay interest and principal on the old debt and the call premium. Since this situation does not apply, the transaction does not result in deferred inflows or outflows of resources.

D. Water Contract

Storage #1 - \$269,950 payable to the United States of America, for water storage in Lost Creek Lake, a U.S. Army Corps of Engineers' owned facility. Annual payments of \$10,643, including interest of 3.254% are payable each July 25th through 2031. Principal and interest payments are made from the Water Fund.

Year	Principal	Interest	Total
2016-2017	6,377	4,266	10,643
2017-2018	6,584	4,058	10,642
2018-2019	6,799	3,844	10,643
2019-2020	7,020	3,623	10,643
2020-2021	7,248	3,395	10,643
2021-2026	39,934	13,280	53,214
2026-2031	46,867	6,348	53,215
2031-2032	10,239	403	10,642
Total	\$ 131,068	\$ 39,217	\$ 170,285

The City is in compliance with the limitations and restrictions contained in the bond indentures.

NOTE 8 - PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduced the amount of operating property tax revenues available to the City for its 1997-98 fiscal year, and thereafter. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks.

NOTE 10 - SUBSEQUENT EVENTS

Accounting Standards require evaluation and disclosures of significant events affecting the City that take place subsequent to the current fiscal year ended June 30, 2016. As of January 16, 2017 (the issuance date of the financial statements) there were no such occurrences other than noted below whose non disclosure would render the current fiscal year's financial statements to be misleading.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The City is in the midst of large construction projects including the Fern Valley Interchange, and, related water line project, along with several street improvement projects some of which are partially funded by governmental agencies such as the State of Oregon (ODOT).

Amounts received or receivable from government agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected may constitute a liability of the City. The amount, if any, of costs which may be disallowed by the agency cannot be determined at this time, although the City management expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PHOENIX, OREGON
Schedule of Proportionate Share
of Net Pension Liability
For the Year Ended June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.005%	\$ 1,237,296	\$ 1,170,114	105.74%	-
2015	0.004%	\$ 815,813	\$ 1,170,903	69.67%	270.60%

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

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

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	\$ 123,976	\$ 123,976	-	\$1,170,042	10.60%
2015	\$ 123,587	\$ 123,587	-	\$1,170,903	10.55%

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

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

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Current property taxes	\$ 956,400	\$ 956,400	\$ 972,862	\$ 16,462
Other taxes	47,935	47,935	41,260	(6,675)
Charges for Services	20,320	20,320	38,073	17,753
Licenses and permits	49,560	49,560	85,150	35,590
Earnings on Investments	9,300	9,300	10,163	863
Intergovernmental	149,105	149,105	144,567	(4,538)
Grants	-	-	2,535	2,535
Franchise Fees	326,300	326,300	327,615	1,315
Fines and Forfeitures	225,560	225,560	282,914	57,354
Miscellaneous	5,135	74,564	66,975	(7,589)
Total revenues	<u>1,789,615</u>	<u>1,859,044</u>	<u>1,972,114</u>	<u>113,070</u>
EXPENDITURES				
Current:				
Executive	89,150	127,650	124,792	2,858
Administrative	127,455	129,455	128,853	602
Planning Department	133,010	130,510	122,107	8,403
Parks Department	99,160	100,660	95,672	4,988
Building Department	102,110	110,610	121,981	(11,371)
Police Department	1,192,590	1,182,750	1,180,896	1,854
Non-Departmental	52,730	101,499	101,152	347
Debt Service	-	-	-	-
Contingency	154,280	136,780	-	136,780
Capital Outlay	-	-	169	(169)
Reserved for future expenditures	39,443	39,443	-	39,443
Total expenditures	<u>1,989,928</u>	<u>2,059,357</u>	<u>1,875,622</u>	<u>183,735</u>
Excess (deficiency) of revenues over (under) expenditures	(200,313)	(200,313)	96,492	296,805
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(2,000)	(2,000)	(2,000)	-
Net change in fund balance	(202,313)	(202,313)	94,492	296,805
BEGINNING FUND BALANCE	<u>758,505</u>	<u>758,505</u>	<u>812,087</u>	<u>53,582</u>
ENDING FUND BALANCE	<u>\$ 556,192</u>	<u>\$ 556,192</u>	<u>\$ 906,579</u>	<u>\$ 350,387</u>

Reconciliation to GAAP Fund Balance

Ending Fund Balances

Greenway Maintenance Reserve Fund

Intertie Debt Reserve Fund

114

(6)

\$ 906,687

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
STREET FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment revenue	\$ 3,400	\$ 3,400	\$ 8,704	\$ 5,304
Charges for services	236,400	236,400	234,793	(1,607)
Licenses and Permits	400	400	-	(400)
Intergovernmental	514,080	514,080	333,998	(180,082)
Miscellaneous	500	45,350	44,850	(500)
Franchise fees	-	-	67,726	67,726
Grants	50,000	50,000	-	(50,000)
Total revenues	<u>804,780</u>	<u>849,630</u>	<u>690,071</u>	<u>(159,559)</u>
EXPENDITURES				
Current:				
Highways and Streets				
Personal Services	174,085	174,085	158,147	15,938
Materials and services	250,985	295,835	270,892	24,943
Capital outlay	12,500	12,500	10,837	1,663
Restricted for future use	425,224	425,224	-	425,224
Contingency	75,000	75,000	-	75,000
Total expenditures	<u>937,794</u>	<u>982,644</u>	<u>439,876</u>	<u>542,768</u>
Excess (deficiency) of revenues over (under) expenditures	(133,014)	(133,014)	250,195	383,209
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(123,886)</u>	<u>(123,886)</u>	<u>(123,886)</u>	<u>-</u>
Net change in fund balance	(256,900)	(256,900)	126,309	383,209
BEGINNING FUND BALANCE	<u>600,005</u>	<u>600,005</u>	<u>677,004</u>	<u>76,999</u>
ENDING FUND BALANCE	<u>\$ 343,105</u>	<u>\$ 343,105</u>	<u>\$ 803,313</u>	<u>\$ 460,208</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
STREET SDC FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 82,700	\$ 82,700	\$ 5,186	\$ (77,514)
Earnings on Investments	<u>625</u>	<u>625</u>	<u>56</u>	<u>(569)</u>
Total revenues	<u>83,325</u>	<u>83,325</u>	<u>5,242</u>	<u>(78,083)</u>
EXPENDITURES				
Current				
Highways and Streets				
Materials and services	5,500	5,500	1,450	4,050
Capital outlay	400,000	400,000	200,000	200,000
Restricted for future use	<u>106,923</u>	<u>106,923</u>	<u>-</u>	<u>106,923</u>
Total expenditures	<u>512,423</u>	<u>512,423</u>	<u>201,450</u>	<u>310,973</u>
Excess (deficiency) of revenues over (under) expenditures	(429,098)	(429,098)	(196,208)	232,890
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(174,761)</u>	<u>(174,761)</u>	<u>(174,761)</u>	<u>-</u>
Net change in fund balance	(603,859)	(603,859)	(370,969)	232,890
BEGINNING FUND BALANCE	<u>696,391</u>	<u>696,391</u>	<u>697,287</u>	<u>896</u>
ENDING FUND BALANCE	<u>\$ 92,532</u>	<u>\$ 92,532</u>	<u>\$ 326,318</u>	<u>\$ 233,786</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CAPITAL RESERVE FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 72	\$ 72
Miscellaneous	-	-	<u>86,269</u>	<u>86,269</u>
Total revenues	<u>-</u>	<u>-</u>	<u>86,341</u>	<u>86,341</u>
EXPENDITURES				
Capital outlay	<u>232,829</u>	<u>232,829</u>	<u>144,630</u>	<u>88,199</u>
Total expenditures	<u>232,829</u>	<u>232,829</u>	<u>144,630</u>	<u>88,199</u>
Excess (deficiency) of revenues over (under) expenditures	(232,829)	(232,829)	(58,289)	174,540
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>440,505</u>	<u>440,505</u>	<u>440,205</u>	<u>(300)</u>
Net change in fund balance	207,676	207,676	381,916	174,240
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>842,944</u>	<u>842,944</u>
ENDING FUND BALANCE	<u>\$ 207,676</u>	<u>\$ 207,676</u>	<u>\$ 1,224,860</u>	<u>\$ 1,017,184</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
PHOENIX URBAN RENEWAL AGENCY BOND FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 118	\$ 118
PhURA tax increment revenues	-	234,392	234,392	-
Total revenues	<u>-</u>	<u>234,392</u>	<u>234,510</u>	<u>118</u>
EXPENDITURES				
Materials and services				
Bond issuance costs	-	62,290	62,290	-
Debt service				
Principal	-	195,000	195,000	-
Interest	-	39,392	39,392	-
Total expenditures	<u>-</u>	<u>296,682</u>	<u>296,682</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(62,290)</u>	<u>(62,172)</u>	<u>118</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,600,000	3,565,812	34,188
Intergovernmental loan	-	(3,125,000)	(3,125,000)	-
Total other financing sources (uses)	<u>-</u>	<u>475,000</u>	<u>440,812</u>	<u>34,188</u>
Net change in fund balance	<u>-</u>	<u>412,710</u>	<u>378,640</u>	<u>(34,070)</u>
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 412,710</u>	<u>\$ 378,640</u>	<u>\$ (34,070)</u>

SUPPLEMENTARY INFORMATION

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - BUDGETARY (NON-
GAAP) BASIS
WATER FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 1,275,515	\$ 1,275,515	\$ 1,254,253	\$ (21,262)
Franchise Fees	17,480	17,480	15,238	(2,242)
Earnings on Investments	225	225	58	(167)
Miscellaneous	<u>2,395</u>	<u>2,395</u>	<u>14,671</u>	<u>12,276</u>
Total revenues	<u>1,295,615</u>	<u>1,295,615</u>	<u>1,284,220</u>	<u>(11,395)</u>
EXPENDITURES				
Current:				
Utility service				
Personal Services	387,835	398,835	398,666	169
Materials and Services	525,205	514,205	510,763	3,442
Capital Outlay	12,500	12,500	10,837	1,663
Debt Service	134,160	134,160	131,052	3,108
Contingency	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>1,159,700</u>	<u>1,159,700</u>	<u>1,051,318</u>	<u>108,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>135,915</u>	<u>135,915</u>	<u>232,902</u>	<u>96,987</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	177,240	177,240	177,240	-
Operating transfers out	<u>(134,179)</u>	<u>(134,179)</u>	<u>(167,283)</u>	<u>(33,104)</u>
Total other financing sources (uses)	<u>43,061</u>	<u>43,061</u>	<u>9,957</u>	<u>(33,104)</u>
Net change in fund balance	178,976	178,976	242,859	63,883
BEGINNING FUND BALANCE	<u>399,776</u>	<u>399,776</u>	<u>238,545</u>	<u>(161,231)</u>
ENDING FUND BALANCE	<u>\$ 578,752</u>	<u>\$ 578,752</u>	<u>\$ 481,404</u>	<u>\$ (97,348)</u>
Reconciliation to the Statement of Proprietary Net Position				
Water SDC Fund			129,673	
Stormwater SDC Fund			6,547	
Net pension liability			(97,642)	
Deferred outflows - pensions			9,586	
Capital Assets, Net			3,450,477	
Contributed capital assets			265,181	
Deferred inflows - pensions			(40,729)	
Net pension expense			(128,785)	
Accrued Compensated Absences			(8,692)	
Accrued Interest			(32,028)	
Bonds and Notes Payable			(1,886,068)	
Restatement - beginning net debt, NOTE 7 - B.			<u>(96,966)</u>	
			<u>\$ 2,051,958</u>	

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
WATER SYSTEM DEVELOPMENT CHARGES FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
System Development Charges	\$ 49,500	\$ 49,500	\$ 39,072	\$ (10,428)
Earnings on Investments	<u>40</u>	<u>40</u>	<u>17</u>	<u>(23)</u>
Total revenues	<u>49,540</u>	<u>49,540</u>	<u>39,089</u>	<u>(10,451)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(30,404)</u>	<u>(30,404)</u>	<u>(30,104)</u>	<u>300</u>
Net change in fund balance	19,136	19,136	8,985	(10,151)
BEGINNING FUND BALANCE	<u>120,700</u>	<u>120,700</u>	<u>120,688</u>	<u>(12)</u>
ENDING FUND BALANCE	<u>\$ 139,836</u>	<u>\$ 139,836</u>	<u>\$ 129,673</u>	<u>\$ (10,163)</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
STORMWATER SDC FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
System Development Charge	\$ 12,750	\$ 12,750	\$ 1,662	\$ (11,088)
Earnings on Investments	-	-	2	2
	<u>12,750</u>	<u>12,750</u>	<u>1,664</u>	<u>(11,086)</u>
Total revenues				
	<u>12,750</u>	<u>12,750</u>	<u>1,664</u>	<u>(11,086)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Net change in fund balance	9,750	9,750	(1,336)	(11,086)
BEGINNING FUND BALANCE	<u>7,055</u>	<u>7,055</u>	<u>7,883</u>	<u>828</u>
ENDING FUND BALANCE	<u>\$ 16,805</u>	<u>\$ 16,805</u>	<u>\$ 6,547</u>	<u>\$ (10,258)</u>

CITY OF PHOENIX, OREGON
Combining Balance Sheet
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	<u>Advertising Promotion Fund</u>	<u>Tourist Usage Fund</u>	<u>Parks and Recreation SDC Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalent	\$ 684	\$ 2,060	\$ 89,144	\$ 91,888
Due from other funds	<u>-</u>	<u>-</u>	<u>5,377</u>	<u>5,377</u>
Total assets	<u>\$ 684</u>	<u>\$ 2,060</u>	<u>\$ 94,521</u>	<u>\$ 97,265</u>
FUND BALANCES				
Committed For:				
Advertising Promotion	684	-	-	684
Tourist Usage	-	2,060	-	2,060
Restricted for:				
Park and Recreation SDC's	<u>-</u>	<u>-</u>	<u>94,521</u>	<u>94,521</u>
Total fund balances	<u>684</u>	<u>2,060</u>	<u>94,521</u>	<u>97,265</u>
Total liabilities and fund balances	<u>\$ 684</u>	<u>\$ 2,060</u>	<u>\$ 94,521</u>	<u>\$ 97,265</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>Advertising Promotion Fund</u>	<u>Tourist Usage Fund</u>	<u>Parks and Recreation SDC Fund</u>	<u>Total</u>
REVENUES				
Taxes	\$ 2,787	\$ 8,803	\$ -	\$ 11,590
Charges for Services	-	-	3,931	3,931
Earnings on Investments	-	-	12	12
Total revenues	<u>2,787</u>	<u>8,803</u>	<u>3,943</u>	<u>15,533</u>
EXPENDITURES				
Current				
Parks Department	-	-	14,600	14,600
Non-Departmental	3,764	12,727	-	16,491
Total expenditures	<u>3,764</u>	<u>12,727</u>	<u>14,600</u>	<u>31,091</u>
Net change in fund balance	(977)	(3,924)	(10,657)	(15,558)
BEGINNING FUND BALANCE	<u>1,661</u>	<u>5,983</u>	<u>105,178</u>	<u>112,822</u>
ENDING FUND BALANCE	<u>\$ 684</u>	<u>\$ 2,059</u>	<u>\$ 94,521</u>	<u>\$ 97,264</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
ADVERTISING PROMOTION FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,510	\$ 3,510	\$ 2,787	\$ (723)
Miscellaneous	-	-	-	-
Total revenues	<u>3,510</u>	<u>3,510</u>	<u>2,787</u>	<u>(723)</u>
EXPENDITURES				
Current				
Non-Departmental				
Materials and services	<u>4,300</u>	<u>4,300</u>	<u>3,764</u>	<u>536</u>
Total expenditures	<u>4,300</u>	<u>4,300</u>	<u>3,764</u>	<u>536</u>
Net change in fund balance	(790)	(790)	(977)	(187)
BEGINNING FUND BALANCE	<u>1,285</u>	<u>1,285</u>	<u>1,661</u>	<u>376</u>
ENDING FUND BALANCE	<u>\$ 495</u>	<u>\$ 495</u>	<u>\$ 684</u>	<u>\$ 189</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
TOURIST USAGE FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 11,025	\$ 11,025	\$ 8,803	\$ (2,222)
Earnings on Investments	-	-	-	-
Total revenues	<u>11,025</u>	<u>11,025</u>	<u>8,803</u>	<u>(2,222)</u>
EXPENDITURES				
Current:				
Non-Departmental				
Materials and Services	<u>14,000</u>	<u>14,000</u>	<u>12,727</u>	<u>1,273</u>
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>12,727</u>	<u>1,273</u>
Net change in fund balance	(2,975)	(2,975)	(3,924)	(949)
BEGINNING FUND BALANCE	<u>4,075</u>	<u>4,075</u>	<u>5,983</u>	<u>1,908</u>
ENDING FUND BALANCE	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 2,059</u>	<u>\$ 959</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
PARKS AND RECREATION SDC FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 9,750	\$ 9,750	\$ 3,931	\$ (5,819)
Earnings on Investments	<u>25</u>	<u>25</u>	<u>12</u>	<u>(13)</u>
Total revenues	<u>9,775</u>	<u>9,775</u>	<u>3,943</u>	<u>(5,832)</u>
EXPENDITURES				
Current				
Parks Department				
Materials and services	3,000	3,000	-	3,000
Capital Outlay	<u>65,000</u>	<u>65,000</u>	<u>14,600</u>	<u>50,400</u>
Total expenditures	<u>68,000</u>	<u>68,000</u>	<u>14,600</u>	<u>53,400</u>
Net change in fund balance	(58,225)	(58,225)	(10,657)	47,568
BEGINNING FUND BALANCE	<u>104,385</u>	<u>104,385</u>	<u>105,178</u>	<u>793</u>
ENDING FUND BALANCE	<u>\$ 46,160</u>	<u>\$ 46,160</u>	<u>\$ 94,521</u>	<u>\$ 48,361</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
GREENWAY MAINTENANCE RESERVE FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Materials and Services	\$ 2,600	\$ 2,600	\$ 2,600	\$ -
Total expenditures	<u>2,600</u>	<u>2,600</u>	<u>2,600</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Net change in fund balance	(600)	(600)	(600)	-
BEGINNING FUND BALANCE	<u>715</u>	<u>715</u>	<u>714</u>	<u>(1)</u>
ENDING FUND BALANCE	<u>\$ 115</u>	<u>\$ 115</u>	<u>\$ 114</u>	<u>\$ (1)</u>

CITY OF PHOENIX, OREGON
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual
INTERTIE DEBT RESERVE FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Earnings on investments	\$ -	\$ 12	\$ 3	\$ (9)
Total expenditures	-	12	3	(9)
OTHER FINANCING SOURCES (USES)				
Operating transfers out	\$ (151,515)	\$ (151,515)	\$ (151,515)	\$ -
Net change in fund balance	(151,515)	(151,503)	(151,512)	(9)
BEGINNING FUND BALANCE	<u>151,515</u>	<u>151,515</u>	<u>151,506</u>	<u>(9)</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ (6)</u>	<u>\$ (18)</u>

CITY OF PHOENIX, OREGON
Schedules of Property Tax Transactions
For the Year Ended June 30, 2016

<u>Tax Roll Year</u>	<u>Imposed Levy Or Uncollected at July 1, 2015</u>	<u>Deduct Discounts</u>	<u>Adjustments To Rolls</u>	<u>Cash Collections By County Treasurer</u>	<u>Balances Uncollected Or Unsegregated at June 30, 2016</u>
2015-2016	\$ 1,022,740	\$ (25,779)	\$ (1,574)	\$ 968,243	\$ 27,144
2014-2015	29,037	10	(458)	12,745	15,844
2013-2014	15,398	2	(125)	4,922	10,353
2012-2013	9,764	2	(77)	4,208	5,481
2011-2012	5,319	-	(94)	1,708	3,517
2010-2011	1,255	-	(67)	384	804
Prior	<u>3,434</u>	<u>-</u>	<u>(394)</u>	<u>501</u>	<u>2,539</u>
	<u>\$ 1,086,947</u>	<u>\$ (25,765)</u>	<u>\$ (2,789)</u>	<u>\$ 992,711</u>	<u>\$ 65,682</u>

**CITY OF PHOENIX
JACKSON COUNTY, OREGON**

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Governing Body of the
City of Phoenix, Jackson County, Oregon:

We have audited the basic financial statements of the City of Phoenix, Oregon, as of and for the year ended June 30, 2016, and have issued our report thereon dated January 16, 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 basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

OAR 162-10-0230 Internal Control

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

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

J. Robert Wall CPA

J. Robert Wall, Certified Public Accountant
Wall & Wall P.C., Certified Public Accountants

January 16, 2017