

City of Phoenix, Oregon
Annual Financial Statement
with Auditor's Report
For the Year Ended
June 30, 2017

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT
MEDFORD

**City of Phoenix
June 30, 2017**

Officers and Members of the City Council

City Council

Chris Luz, Mayor

Bruce Sophie, Council President

Jim Snyder, Council Vice President

Michael Shunk, Councilor

Sarah Westover, Councilor

Stuart Warren, Councilor

Terry Baker, Councilor

Council members receive mail at the following address:

City of Phoenix
112 W. 2nd Street
P.O. Box 330
Phoenix, OR 97535

Administrative

Dave Kanner, Interim City Manager
Effective through September 15, 2017

Eric Swanson, City Manager
Effective September 18, 2017

Janette Boothe, Finance/City Recorder

**City of Phoenix
Annual Financial Report**

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Annual Financial Report**

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FINANCIAL SECTION

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Phoenix, Oregon

Report of the Financial Statements

I 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 City'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 City's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2017, and the respective changes in financial position and budgetary comparisons for the General fund and the 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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), as listed in the table of contents, and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to the MD&A 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the MD&A because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The RSI 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 my opinion, the RSI is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Phoenix, Oregon's 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 (SI) 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 my opinion, the SI is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, I have also issued my report dated December 12, 2017, on my consideration of the City of Phoenix's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.


Richard W. Brewster
Certified Public Accountant

December 12, 2017

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

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, 2017. 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 \$16,828,996 at June 30, 2017 consisting of \$7,502,144 in capital assets, net of accumulated depreciation, \$5,211,814 in cash, \$4,093,709 in other receivables, and \$21,329 in prepaid items. Capital assets, net of accumulated depreciation increased by \$291,032 in the current year.

The City's government-wide liabilities totaled \$7,882,055 at June 30, 2017 consisting of \$4,881,760 in short and long-term debt and \$3,000,295 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 liabilities and deferred inflows), totaled \$9,795,519 at June 30, 2017 of which \$5,625,384 was invested in capital assets net of related debt, \$383,468 is restricted for projects related to System Development, \$59,710 was restricted for the interchange project, \$396,570 is restricted for Highway maintenance, \$378,734 is restricted for urban renewal projects and the remainder of \$3,229,929 is considered unrestricted.

The City generated program revenues of \$1,858,396 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 \$2,671,459 for governmental activities. The business type activities generated \$26,911 in general revenues. The Government-Wide expenses were \$2,735,457 for governmental activities and \$1,131,393 for business-type activities. Total Government-Wide expenses were \$3,866,850.

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.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

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 assets and deferred outflows, and the total 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.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

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 five major funds separately; General Fund, Street Fund, the Street Improvement Fund, the Phoenix Urban Renewal Agency Bond Fund, and the Capital Reserve Fund. The other nonmajor funds (Advertising Promotion, Tourist Usage and Parks and Recreation SDC, and the Greenway Maintenance Fund) 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.

Notes to the Basic Financial Statements

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.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets exceeded liabilities by \$9.7 million at June 30, 2017. Net position for governmental activities totaled \$6.7 million while net assets for business-type activities totaled \$3.0 million.

	Net Position June 30, 2017		
	Governmental Activities	Business-type Activities	Total Government
Capital Assets, net	\$ 4,019,912	\$ 3,482,232	\$ 7,502,144
Other Assets	7,698,689	1,628,163	9,326,852
Total Assets	11,718,601	5,110,395	16,828,996
Deferred Outflows	745,463	186,365	931,828
Current Liabilities	2,591,870	408,425	3,000,295
Long-term liabilities	3,062,069	1,819,691	4,881,760
Total Liabilities	5,653,939	2,228,116	7,882,055
Deferred Inflows	66,600	16,650	83,250
Net Position:			
Invested in capital assets	3,962,843	1,662,541	5,625,384
Restricted	1,026,722	191,760	1,218,482
Unrestricted	1,753,960	1,197,693	2,951,653
Total Net Position	<u>\$ 6,743,525</u>	<u>\$ 3,051,994</u>	<u>\$ 9,795,519</u>

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Net Position June 30, 2016		
	Governmental Activities	Business-type Activities	Total Government
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 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	<u>\$ 6,787,435</u>	<u>\$ 2,051,958</u>	<u>\$ 8,839,393</u>

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 increased by approx. \$715,000 from the prior year as revenues exceeded expenses. This increase was largely due to the governmental activities increasing by approximately \$470 thousand whereas the business type activities increased by nearly \$245 thousand. The largest portion of the City's net position (57 percent) is its investment in capital assets, net of related debt. In the prior year, this portion of net position was 60 percent of total net position.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of Changes in Net Position

The City's Statement of Activities for fiscal years ended June 30, 2017 and 2016 are as follows:

	Governmental and Proprietary Activities For the Year Ended June 30, 2017		
	Governmental Activities	Business-type activities	Total Government
Revenues			
Program revenues			
Charges for services	\$ 508,963	\$ 1,349,433	\$ 1,858,396
Operating grants	22,727	-	22,727
General Revenues			
Property taxes	1,061,121	-	1,061,121
Other taxes	28,956	-	28,956
Licenses and permits	135,825	-	135,825
Intergovernmental	760,001	-	760,001
Franchise fees	332,674	10,943	343,617
Fines and forfeitures	195,057	-	195,057
Earnings on investments	38,480	87	38,567
Other	95,224	40,082	135,306
Total Revenue	<u>3,179,028</u>	<u>1,400,545</u>	<u>4,579,573</u>
Expenses			
Executive	129,129	-	129,129
Administrative	137,026	-	137,026
Police Department	210,282	-	210,282
Parks Department	111,287	-	111,287
Building Department	127,553	-	127,553
Panning Department	1,222,218	-	1,222,218
Highways and Streets	544,555	-	544,555
Non-departmental	139,315	-	139,315
Interest on Long-term Debt	114,092	-	114,092
Water	-	1,131,393	1,131,393
Total expenses	<u>2,735,457</u>	<u>1,131,393</u>	<u>3,866,850</u>
Excess (deficiency) before Transfers	443,571	269,152	712,723
Transfers, net	24,121	(24,121)	-
Change in not position	467,692	245,031	712,723
Beginning Net position - restated	6,275,833	2,806,963	9,082,796
Ending Net position	<u>\$ 6,743,525</u>	<u>\$ 3,051,994</u>	<u>\$ 9,795,519</u>

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	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	-	-	-
General Revenues			
Property taxes	1,027,901	-	1,027,901
Other taxes	234,392	-	234,392
Licenses and permits	281,983	-	281,983
Intergovernmental	478,565	-	478,565
Franchise fees	395,341	-	395,341
Fines and forfeitures	282,914	-	282,914
Earnings on investments	19,243	77	19,320
Other	-	21,164	21,164
Total Revenue	<u>3,002,322</u>	<u>1,346,137</u>	<u>4,348,459</u>
Expenses			
Executive	132,132	-	132,132
Administrative	158,096	-	158,096
Police Department	1,270,877	-	1,270,877
Parks Department	115,515	-	115,515
Building Department	127,486	-	127,486
Panning Department	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
Total expenses	<u>3,306,455</u>	<u>1,511,967</u>	<u>4,818,422</u>
Excess (deficiency) before Transfers	(304,133)	(165,830)	(469,963)
Transfers, net	<u>(9,957)</u>	<u>9,957</u>	<u>-</u>
Change in net position	(314,090)	(155,873)	(469,963)
Beginning Net position - restated	<u>7,101,525</u>	<u>2,207,831</u>	<u>9,309,356</u>
Ending Net position	<u>\$ 6,787,435</u>	<u>\$ 2,051,958</u>	<u>\$ 8,839,393</u>

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Governmental activities increased the City's net position by approx. \$467 thousand. The increase can be attributed primarily to the decrease in expenditures of \$458 thousand. The difference was the increase in revenues. The general revenues that seem to be improving consistently, and are anticipated to do so for the next year, are Property Taxes with an increase of \$3 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 increased the City's net position by approx. \$245 thousand. The increase can be attributable primarily to the decrease in expenses of \$380 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 \$796 thousand, overall, business-type cash flows increased by \$795 thousand, of which \$755 thousand was due to a prior period adjustment for cash from the Water SDC and Stormwater SDC funds and the Water Fund's share of the monies within the Capital Reserve Fund. For comparative purposes, charges for services in the business-type funds increased \$25 thousand.

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, Special Revenue Funds and the Capital Projects Fund.

At the end of the current year, the City's governmental funds had combined ending fund balances of \$3.36 million, an increase of \$402 thousand (11 percent) from the prior year's fund balances of \$3.47 million. Licenses and Permits and Earnings on Investments have increased.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

FUND ANALYSIS (Continued)

The ending fund balances comprised of \$3.36 million, \$896 thousand of which was unassigned and available for spending by the City within the purposes specified for the City's funds. Of the \$2.46 million difference, \$1.03 million is restricted for Debt Services, Street SDC's, IDC's, Hwy 99 repairs, Park and Recreation SDC's, and Urban Renewal. \$777 thousand is committed for Traffic Court Equipment, Jackson County Fine Share, Advertising Promotions, Tourist Usage, and Capital Improvements. \$662 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 approximately \$93 thousand up from \$907 thousand in the previous year to \$1 million. Although expenditures increased by \$34 thousand, revenues increased by \$47 thousand. Unassigned fund balance represents nearly 47 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 \$265 thousand in the Street Fund and increased in the Street Improvement Fund by \$32 thousand.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but more in 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 increased by \$245 thousand (11 percent) during the year. This increase is primarily due to a decrease in operating expenses of \$240 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were changes to the General Fund budget during the 2016/17 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 over-expend its appropriation authority in two separate funds, the Capital Reserve fund-Capital Outlay for \$67,099 and the Parks and Recreation SDC Fund-Materials and Services for \$7,460.

CAPITAL ASSETS

As of June 30, 2017, the City had invested \$7.5 million in capital assets, net of depreciation as reflected in the following table, which represents a net increase (additions, deductions, and depreciation) of \$136 thousand or 2.4 percent increase.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

The capital assets for the 2016/17 fiscal year are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 278,276	\$ 21,731	\$ 300,007
Buildings and Improvements	518,080	800,585	1,318,665
Machinery and Equipment	225,228	47,115	272,343
Infrastructure	2,998,328	2,612,801	5,611,129
	<u>\$ 4,019,912</u>	<u>\$ 3,482,232</u>	<u>\$ 7,502,144</u>

During the fiscal year, the City purchased 2 new police cars through a lease-purchase financing arrangement. The City also completed various street projects which have been capitalized and the City completed the North Rose Waterline Project and the Church Street Storm-drain Project for a total of \$113,000 in current year expenses and the relief of the prior construction in progress of \$448,882.

The capital assets for the 2015/16 fiscal year are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
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	208,158	435,589	643,747
	<u>\$ 3,915,056</u>	<u>\$ 3,450,477</u>	<u>\$ 7,365,533</u>

DEBT ADMINISTRATION

As of year-end, the City had \$4.88 million in long-term debt outstanding compared to \$5.01 million in the previous year. The \$129 thousand net decrease is a result of principal payments 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>
Full Faith and Credit 2015	\$ -	\$ 1,695,000	\$ 1,695,000
Lost Creek Water Storage	-	124,691	124,691
Full Faith and Credit Series 2015B	2,515,000	-	2,515,000
Full Faith and Credit 2015C	490,000	-	490,000
Auto leasing specialists	57,069	-	57,069
Total	<u>\$ 3,062,069</u>	<u>\$ 1,819,691</u>	<u>\$ 4,881,760</u>

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

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 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 on page 34 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.

Auto Leasing Specialists

During the year, the City approved a lease-purchase for two police patrol vehicles. The lease is payable over four years at an interest rate of six percent. The amount capitalized was \$79,014. The current year depreciation on these patrol vehicles is \$11,288 for a net book value of \$67,726. Annual payments of \$21,945 are payable each August with a payoff in August of 2019. The payments are made from the General Fund.

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

Highlight 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.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

-
- 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 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 upgrade 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.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Highlights for the fiscal year 2017-18 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.
- In January 2018, Phoenix Urban Renewal Agency is set to be governed by the City of Phoenix. The Urban Renewal Board will consist of members of the Phoenix City Council and the City Manager will serve as the Executive Director.
- 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 new business openings.
- The City will complete the Parks Master Plan as an update to the Parks and Recreation Element of the Comprehensive Plan, with the assistance of a planning grant by the Oregon Parks and Recreation Department.
- The City will continue work on updates to the Housing, Economic, and Land Use Elements to its Comprehensive Plan, which are necessary as the City works to bring the 70 acres of residential land and 280 acres of employment lands in PH-5 and PH-10 into the Urban Growth Boundary for eventual urbanization.
- The City received its initial distribution from the state for the three percent recreational marijuana tax with designated revenue towards parks, education, and public safety.
- The City installed new software to enable customers to view their water accounts online.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017**

- The City is scheduled to complete the following projects during the fiscal year:
 - Installation of solar area lighting at Blue Heron Park.
 - Replacement of water main and service connections on South Church Street.
 - Installation of 4 bay swing set at Colver Park.
 - Replacement of water main near Luman Road and I-5.
 - Replacement of pump house at Colver Park.
 - Installation of communications tower at the Regional Booster Pump Station.
 - Installation of a sand volleyball court at Blue Heron Park.
 - Begin reconstruction of North Church Street including water main replacement (completion in FY 18/19).
 - Wetland rehabilitation at Civic Center.

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

**City of Phoenix
Statement of Net Position
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,742,140	\$ 1,469,674	\$ 5,211,814
Accounts receivable	429,831	157,066	586,897
Property tax receivable	77,312	-	77,312
Intergovernmental receivable	3,429,500	-	3,429,500
Prepaid expenses	19,906	1,423	21,329
Capital assets not depreciated	278,276	21,731	300,007
Capital assets, net of accumulated depreciation	3,741,636	3,460,501	7,202,137
Total Assets	11,718,601	5,110,395	16,828,996
Deferred Outflows of Resources			
Deferred amounts related to pensions	714,674	178,668	893,342
Pension contributions after measurement date	30,789	7,697	38,486
Total Deferred Outflows	745,463	186,365	931,828
Liabilities			
Accounts payable	259,696	37,859	297,555
Due to other funds	(678)	678	-
Intergovernmental payable	875,000	-	875,000
Customer deposits	8,365	8,245	16,610
Net pension liability	1,339,863	334,966	1,674,829
Accrued interest payable	50,355	8,996	59,351
Compensated absences	59,269	17,681	76,950
Long-term debt			
Due within one year	142,665	66,584	209,249
Due in more than one year, net of discounts and premiums	2,919,404	1,753,107	4,672,511
Total liabilities	5,653,939	2,228,116	7,882,055
Deferred Inflows			
Deferred amounts related to pensions	66,600	16,650	83,250
Total Liabilities and Deferred Inflows	5,720,539	2,244,766	7,965,305
Net Position			
Net investment in capital assets	3,962,843	1,662,541	5,625,384
Restricted			
SDC's	191,708	191,760	383,468
Interchange development	59,710	-	59,710
Highway 99 maintenance	396,570	-	396,570
Urban renewal	378,734	-	378,734
Unrestricted	1,753,960	1,197,693	2,951,653
Total Net Position	\$ 6,743,525	\$ 3,051,994	\$ 9,795,519

**City of Phoenix
Statement of Activities
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Charges for Services	Operating Grants
Governmental Activities			
Executive	\$ 129,129	\$ -	\$ -
Administrative	137,026	-	-
Planning	210,282	-	-
Parks	111,287	5,858	22,727
Building	127,553	33,751	-
Police	1,222,218	-	-
Highways and street	544,555	469,354	-
Non-departmental	253,407	-	-
Total governmental activities	<u>2,735,457</u>	<u>508,963</u>	<u>22,727</u>
Business-type activities			
Water	<u>1,131,393</u>	<u>1,349,433</u>	<u>-</u>
Total City-wide activities	<u>\$ 3,866,850</u>	<u>\$ 1,858,396</u>	<u>\$ 22,727</u>

General Revenues

Property taxes

Other taxes

Licenses and permits

Intergovernmental

Franchise fees

Fines and forfeitures

Interest earnings

Miscellaneous

Transfers, net

Total general revenues and transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Beginning, as restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (129,129)	\$ -	\$ (129,129)
(137,026)	-	(137,026)
(210,282)	-	(210,282)
(82,702)	-	(82,702)
(93,802)	-	(93,802)
(1,222,218)	-	(1,222,218)
(75,201)	-	(75,201)
(253,407)	-	(253,407)
(2,203,767)	-	(2,203,767)
-	218,040	218,040
(2,203,767)	218,040	(1,985,727)
1,031,037	-	1,031,037
59,040	-	59,040
135,825	-	135,825
760,001	-	760,001
332,674	10,943	343,617
195,057	-	195,057
38,480	87	38,567
95,224	40,082	135,306
24,121	(24,121)	-
2,671,459	26,991	2,698,450
467,692	245,031	712,723
6,787,435	2,051,958	8,839,393
(511,602)	755,005	243,403
6,275,833	2,806,963	9,082,796
\$ 6,743,525	\$ 3,051,994	\$ 9,795,519

**City of Phoenix
Balance Sheet
Governmental Funds
June 30, 2017**

	Special Revenue Funds		
	General Fund	Street Fund	Street Improvement Fund
Assets			
Cash and investments	\$ 794,646	\$ 953,441	\$ 158,492
Due from other funds	210	-	-
Accounts receivable	370,536	55,804	-
Property tax receivable	77,312	-	-
Intergovernmental receivable	13,069	-	-
Prepaid expenses	18,753	1,153	-
Total assets	<u>\$ 1,274,526</u>	<u>\$ 1,010,398</u>	<u>\$ 158,492</u>
Liabilities			
Accounts payable	\$ 190,773	\$ 6,384	\$ -
Due to other funds	4,443	467	-
Intergovernmental payable	-	-	-
Customer deposits	8,365	-	-
Total liabilities	<u>203,581</u>	<u>6,851</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue-property tax	<u>68,405</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted			
Interchange development	-	-	59,710
Highway 99 maintenance	-	396,570	-
Street SDC's	-	-	98,782
Parks and Recreation SDC's	-	-	-
Urban renewal	-	-	-
Committed			
Traffic court equipment	13,261	-	-
Jackson County fine share	24,561	-	-
Advertising promotion	-	-	-
Tourist usage	-	-	-
Capital improvements	-	-	-
Assigned			
Police equipment replacement	28,513	-	-
Reserve officer program	1,829	-	-
Streets	-	605,824	-
Nonspendable	18,753	1,153	-
Unassigned	915,623	-	-
Total fund balances	<u>1,002,540</u>	<u>1,003,547</u>	<u>158,492</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,274,526</u>	<u>\$ 1,010,398</u>	<u>\$ 158,492</u>

Phoenix Urban Renewal Agency Bond Fund	Capital Projects		Total
	Capital Reserve Fund	Other Governmental Funds	
\$ 962,303	\$ 771,734	\$ 101,524	\$ 3,742,140
-	-	5,378	5,588
-	-	3,491	429,831
-	-	-	77,312
291,431	-	-	304,500
-	-	-	19,906
<u>\$ 1,253,734</u>	<u>\$ 771,734</u>	<u>\$ 110,393</u>	<u>\$ 4,579,277</u>
\$ -	\$ 61,989	\$ 550	\$ 259,696
-	-	-	4,910
875,000	-	-	875,000
-	-	-	8,365
<u>875,000</u>	<u>61,989</u>	<u>550</u>	<u>1,147,971</u>
-	-	-	68,405
-	-	-	59,710
-	-	-	396,570
-	-	-	98,782
-	-	92,926	92,926
378,734	-	-	378,734
-	-	-	13,261
-	-	-	24,561
-	-	7,183	7,183
-	-	9,734	9,734
-	709,745	-	709,745
-	-	-	28,513
-	-	-	1,829
-	-	-	605,824
-	-	-	19,906
-	-	-	915,623
<u>378,734</u>	<u>709,745</u>	<u>109,843</u>	<u>3,362,901</u>
<u>\$ 1,253,734</u>	<u>\$ 771,734</u>	<u>\$ 110,393</u>	<u>\$ 4,579,277</u>

**City of Phoenix
Reconciliation of Governmental Funds Balance Sheet to
Statement of Net Position
June 30, 2017**

Fund Balance \$ 3,362,901

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:

Capital assets	\$ 5,491,216	
Accumulated depreciation	(1,471,304)	
Intergovernmental receivables	3,125,000	
Total		7,144,912

The following pension transactions are not available resources and therefore are not reported in the funds.

Deferred outflows related to pension	714,674	
Net pension asset (liability)	(1,339,863)	
Pension contributions after measurement date	30,789	
Pension changes - see notes to financial statement	(66,600)	
Total		(661,000)

A portion of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unearned revenue in the funds. 68,405

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Compensated absences	(59,269)	
Long-term debt	(3,062,069)	
Accrued interest payable	(50,355)	
		(3,171,693)

Total Net Position \$ 6,743,525

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue		
	General Fund	Street Fund	Street Improvement Fund
Revenues			
Taxes	\$ 1,050,678	\$ -	\$ -
Charges for services	33,751	231,451	237,903
Licenses and permits	135,690	135	-
Investment revenue	20,791	17,476	13
Intergovernmental	153,431	371,286	-
Grants	22,727	-	-
Franchise Fees	312,846	19,828	-
Court	14,856	-	-
Fines and Forfeitures	180,201	-	-
Miscellaneous	94,494	60	-
Total revenues	2,019,465	640,236	237,916
Expenditures			
Current			
Executive	114,673	-	-
Administrative	121,926	-	-
Planning	193,596	-	-
Parks	98,798	-	-
Building	117,933	-	-
Police	1,191,112	-	-
Highways and street	-	331,906	179,342
Non-departmental	74,651	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Capital Outlay	-	-	-
Total expenditures	1,912,689	331,906	179,342
Excess (deficiency) of revenues over (under) expenditures	106,776	308,330	58,574
Other Financing Sources (Uses)			
Loan repayment	-	-	-
Lease proceeds	79,014	-	-
Operating transfers in	-	-	-
Operating transfers out	(82,485)	(42,915)	(26,400)
Total other financing sources (uses)	(3,471)	(42,915)	(26,400)
Net change in fund balances	103,305	265,415	32,174
Beginning Fund Balance	906,687	738,132	126,318
Prior Period adjustment	(7,452)	-	-
Beginning Fund Balances - as restated	899,235	738,132	126,318
Ending Fund Balances	\$ 1,002,540	\$ 1,003,547	\$ 158,492

Phoenix Urban Renewal Agency Bond Fund	Capital Projects		Other Governmental Funds	Total
	Capital Reserve Fund			
\$ -	\$ -		\$ 30,084	\$ 1,080,762
-	-		5,858	508,963
-	-		-	135,825
94	99		7	38,480
-	-		-	524,717
-	-		-	22,727
-	-		-	332,674
-	-		-	14,856
-	-		-	180,201
-	-		670	95,224
<u>94</u>	<u>99</u>		<u>36,619</u>	<u>2,934,429</u>
-	-		-	114,673
-	-		-	121,926
-	-		-	193,596
-	-		7,460	106,258
-	-		-	117,933
-	-		-	1,191,112
-	184,500		-	695,748
1,200	-		19,180	95,031
-	-		-	-
120,000	-		-	120,000
114,084	-		-	114,084
-	174,860		-	174,860
<u>235,284</u>	<u>359,360</u>		<u>26,640</u>	<u>3,045,221</u>
(235,190)	(359,261)		9,979	(110,792)
235,284	-		-	235,284
-	-		-	79,014
-	348,296		2,485	350,781
-	-		-	(151,800)
<u>235,284</u>	<u>348,296</u>		<u>2,485</u>	<u>513,279</u>
94	(10,965)		12,464	402,487
378,640	1,224,860		97,264	3,471,901
-	(504,150)		115	(511,487)
<u>378,640</u>	<u>720,710</u>		<u>97,379</u>	<u>2,960,414</u>
<u>\$ 378,734</u>	<u>\$ 709,745</u>		<u>\$ 109,843</u>	<u>\$ 3,362,901</u>

City of Phoenix
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances \$ 402,487

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

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.

Pension expense 604,089

Governmental funds report capital outlay as an
expenditures, whereas the Statement of Activities reports
the cost of those assets allocated over their estimated
useful lives and reported as depreciation expense.

Capital assets additions	\$ 263,514	
Depreciation expense	(158,658)	
		104,856

Under the modified accrual basis of accounting used in
governmental funds, expenditures are not recognized
for transaction that are not normally paid with
expendable available financial resources. In the
Statement of Activities, which is presented on the
accrual basis of accounting, expenses and liabilities are
reported regardless of when financial resources are available.
The adjustment combines the net changes in the
liability balances.

Compensated absences	(4,105)	
PhURA bond interest expense	(112,161)	
Transfer revenue reduction and reallocation	(349,720)	
Capital lease proceeds	(79,014)	
Capital lease principal payment	21,945	
PhURA bond principal payment	120,000	
		(403,055)

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

Deferred revenues	9,315	
Intergovernmental payable change	(250,000)	
		(240,685)

Change in Net Position	\$ 467,692
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**City of Phoenix
Statement of Net Position
Proprietary Funds
June 30, 2017**

	Water Funds
Assets	
Current assets	
Cash and investments	\$ 1,469,674
Accounts receivable, net	157,066
Prepaid items	1,423
	1,628,163
Total current assets	
Noncurrent assets	
Capital assets, net	3,482,232
	3,482,232
Deferred Outflows of Resources	
Cash contributions subsequent to measurement date	7,697
Deferred amounts related to pensions	178,668
	178,668
Total assets and deferred outflows	5,296,760
Liabilities	
Current liabilities	
Accounts payable	37,859
Due to other funds	678
Customer deposits	8,245
Accrued compensated absences	17,681
Accrued interest payable	8,996
Net pension liability	334,966
Current portion of long-term debt	66,584
	66,584
Total current liabilities	475,009
Noncurrent liabilities	
Long-term debt, net of current portion and net of unamortized premiums, discounts and issuance costs	1,753,107
	1,753,107
Total liabilities	2,228,116
Deferred Inflows of Resources	
Deferred amounts related to pensions	16,650
	16,650
Total deferred inflows	16,650
Net Position	
Net investment in capital assets	1,662,541
Restricted for	
SDC's	191,760
Restricted for capital outlay	492,180
Unrestricted	705,513
	705,513
Total Net Position	3,051,994
Total liabilities, deferred inflows and, net position	\$ 5,296,760

City of Phoenix
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Water Funds
Revenues	
Charges for services	\$ 1,252,507
Miscellaneous	40,082
Franchise fees	10,943
Total Operating Revenues	1,303,532
Operating Expenses	
Current	
Personnel services	561,475
Materials and services	351,592
Depreciation	144,919
Total Operating Expenses/Expenditures	1,057,986
Operating income (loss)	245,546
Non-Operating Revenues (Expenses)	
Investment revenue	87
System development charges	96,926
Interest expense	(73,407)
Total non-operating revenues (expenses)	23,606
Change in net position, before other financing sources (uses)	269,152
Other Financing Sources (Uses)	
Operating transfers out	(49,846)
Operating transfers in	25,725
Total Other Financing Sources (Uses)	(24,121)
Net change in net position	245,031
Beginning Net Position	2,051,958
Prior period adjustment	755,005
Beginning Net Position - as restated	2,806,963
Ending Net Position	\$ 3,051,994

**City of Phoenix
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017**

Cash Flows from Operating Activities	
Cash received from customers	\$ 1,307,651
Cash payments for goods and services	(356,018)
Cash payments to employees	<u>(516,019)</u>
Net cash provided by operating activities	<u>435,614</u>
Cash Flows Used by Non-Capital Financing Activities	
Operating transfers in	25,725
Operating transfers out	<u>(49,846)</u>
Net cash used for non-capital financing activities	<u>(24,121)</u>
Cash Flows from (Used for) Capital and Related Financing Activities	
Cash received from SDC's	95,467
Cash transferred as part of prior period adjustment	492,180
Purchase of capital assets	(174,859)
Bond interest paid	(64,416)
Deferred pension amounts	<u>36,814</u>
Net cash provided by capital and related financing activities	<u>385,186</u>
Cash Flows from Investing Activities	
Interest received on investments	<u>87</u>
Net cash provided by investing activities	<u>87</u>
Increase in cash and investment	796,766
Cash and Investments, Beginning of Year	<u>672,908</u>
Cash and investments, End of Year	<u><u>\$ 1,469,674</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 245,546
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	144,919
(Increase) Decrease in accounts receivable	4,119
(Increase) Decrease in pension assets	(176,779)
Increase (Decrease) in payable and accrued liabilities	4,564
Increase (Decrease) in pension liability	<u>213,245</u>
Net cash provided by operating activities	<u><u>\$ 435,614</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Phoenix is a municipal corporation governed by a mayor and an elected council. The administration of day to day city affairs is the responsibility of the City Manager who is appointed by and serves under the supervision of the City Council. The City provides the following services as authorized by its charter: police, parks, building and planning, public works, and services. Sewer services are provided through a contract with an outside party.

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 (GASS) 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.

BASIS OF PRESENTATION – 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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues, expenditures/expenses. The City reports the following funds as major governmental funds.

General Fund

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.

Phoenix Urban Renewal Bond Fund

During the prior fiscal year ended June 30, 2016, the City established this fund to account for the bond issuances 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.

Capital Projects Funds

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 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.

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:

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (Continued)

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.

Storm Water Systems Development Charges Fund

Payments from customers are received as a reimbursement for prior and future improvements to the storm water system.

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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (Continued)

GRANTS

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

PROPERTY TAXES RECEIVABLE

Property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred inflow of resources because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary because uncollectable property taxes become a lien of the property. 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 administered 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.

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: Personnel Services, Materials and Services, Capital Outlay Debt Service, Contingency and Transfers

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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (Continued)

BUDGETS (Continued)

Budget amounts shown in the basic financial statements reflect the original budget amounts and three appropriations adjustments. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2017, except as follows:

Capital Reserve Fund	
Capital outlay	\$ 67,099
Parks and Recreation SDC Fund	
Materials and services	\$ 7,460

OPERATING REVENUES AND EXPENSES, NON-OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for water services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating revenues and expenses are those revenues and expenses not directly related to the service provided by the fund. Non-operating revenues and expenses include interest, grants, SDC charges and gain or loss on disposition of capital assets.

CAPITAL ASSETS INCLUDING EQUIPMENT LEASED UNDER CAPITAL LEASE

Capital assets, which includes 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

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

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 are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statement, the bond discounts, premiums and issuance costs are recognized when incurred and not deferred. The face amount of the debt issued and premiums received are reported as other financing sources while discounts are reported as other financing used. Bond issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the governmental fund financial statements.

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. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Unpaid sick pay lapses upon termination of employment.

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.

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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (Continued)

CASH AND CASH EQUIVALENTS

The City maintains a common cash and investment pool for all City funds. All short-term, highly-liquid investments, including investments in the State Treasurer's Local Government Investment pool (LGIP) where the remaining maturity at the time of purchase is one year or less, are stated at amortized cost, which approximates fair value. Investments with a remaining maturity at the time of purchase of more than one year are stated at fair value. Fair value is determined as the quoted market price if available otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties. Earnings on pooled cash and investments are credited to each fund based on the average daily balance of each participating fund.

Pooled cash and investments has the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

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 also deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

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.

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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (Continued)

FUND BALANCE (Continued)

Nonspendable fund balance represents amounts that are not in a spendable form. The City has prepaid items that are reported 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, Street Improvement System Development Charges, Parks and Recreation Systems Development Charges, PhURA funds 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 Court activities, Advertising Promotions, Capital Improvements 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.

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.

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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (Continued)

NET POSITION (Continued)

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, granters, 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.

RESTATEMENT OF NET POSITION

During the fiscal year, the City identified an error within the Water Fund for items that had not been included in the prior year's financial statements. The items were related to cash balances for the System Development Funds and capital assets that had not been included in the prior year's report for a total of \$262,825. Also included in the prior period adjustment is the amount of the residual cash balance of \$492,180 that was reported in the Capital Reserve Fund that in future years will be recorded as part of the Business-type activities.

Total Water Fund Net Position	
Beginning Net Position	\$ 2,051,958
Correction of Error	<u>755,005</u>
Total Water Fund Net Position	
Beginning Net Position - as restated	<u>\$ 2,806,963</u>

It was also noted the Greenway Maintenance Reserve Fund had been closed into the General Fund in the prior year. However, this fund was not closed until the current fiscal year. Also part of this prior period adjustment corrects amounts recorded on the prior financials that were a part of the cash reconciliation. This adjustment is noted as follows:

General Fund	
Beginning Fund Balance	\$ 906,687
Correction of Error	<u>(7,452)</u>
Beginning Fund Balance - as restated	<u>\$ 899,235</u>

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

RESTATEMENT OF NET POSITION (Continued)

Because the Greenway Maintenance Fund was reported in the prior year as being closed, a prior period adjustment was needed to restate beginning balances in this Fund. However, at year ended June 30, 2017, this Fund was closed. This adjustment is noted as follows:

Greenway Fund	
Beginning Fund Balance	\$ -
Correction of Error	<u>115</u>
Beginning Fund Balance - as restated	<u>\$ 115</u>

In the prior year, the Capital Reserve Fund was reported as a governmental fund. However, there was a mix of transfers from governmental funds and business-type funds. This adjustment separates the business-type activity and is, in part, of the prior period adjustment for the Water Fund.

Capital Reserve Fund	
Beginning Fund Balance	\$ 1,224,860
Correction of Error	<u>(504,150)</u>
Beginning Fund Balance - as restated	<u>\$ 720,710</u>

The adjustment for the Governmental Activities, as shown on page 17, is as follows:

Total Governmental Activities Net Position	
Beginning Net Position	\$ 6,787,435
Correction of Error	<u>(511,602)</u>
Total Governmental Activities Net Position	
Beginning Net Position - as restated	<u>\$ 6,275,833</u>

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the Statement of Net 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 report 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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS

The Governmental Accounting Standards Board (GASB) adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2017. If the bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised on bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to in compliance with ORS 295. Statutes authorize 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.

Cash and Investments consisted of the following as of June 30, 2017:

Petty Cash	\$	300
Demand Deposits		1,030,007
Certificate of Deposit		125,093
State Treasurer's Investment Pool		4,056,414
Cash and Investments	<u>\$</u>	<u>5,211,814</u>

DEPOSITS

As of June 30, 2017, the carrying amount of bank deposits in a qualifying financial banking institution was \$1,094,675. Of this amount, \$250,000 was insured through FDIC. The remainder of this balance is covered the State of Oregon's shared liability structure for participating banks.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

CUSTODIAL 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. The City does not have a formal deposit policy for custodial credit risk.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 2 - CASH and INVESTMENTS (Continued)

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.

The City has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool. The Oregon Short-term Fund is the local government investment pool for local governments and was established by Oregon's State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investment are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council. Local Government Invest Pool is an external investment pool managed by the State Treasurer's office. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. LGIP is unrated.

LGIP distributes investment income on an amortized cost basis and participant's equity in the pool is determined by the amount of the participant's deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Investments in the Oregon State Treasury LGIP are made under the provision of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements of ORS 295.015. Investments in LGIP are stated at amortized cost, which approximates fair value. The investments in LGIP have an investment maturity of less than 3 months.

Credit Risk

Oregon Revised Statutes authorize the City to invest primarily in general obligations of the U. S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial paper and the State Treasurer's Investment Pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk

The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U. S. government. The City has no such investments.

Interest Rate Risk

The City has no formal investment policy that explicitly limits investments maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 3 - RECEIVABLES

At year-end, receivables for the City are as follows:

Governmental Activities:	Due within one year	Long term	Total
Property taxes	\$ 77,312	\$ -	\$ 77,312
Franchise Fees	27,552	-	27,552
Intergovernmental	304,500	3,125,000	3,429,500
Hotel/Motel	5,928	-	5,928
Citations	299,326	-	299,326
Miscellaneous/Other	97,025	-	97,025
	<u>\$ 811,643</u>	<u>\$ 3,125,000</u>	<u>\$ 3,936,643</u>

As reported on the Statement of Net Position:

Accounts receivable	\$ 429,831
Property tax receivable	77,312
Intergovernmental receivable	3,429,500
	<u>\$ 3,936,643</u>

Business type activities:

Utilities receivable	<u>\$ 157,066</u>
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NOTE 4 - CAPITAL ASSETS

Changes in the Governmental capital assets for the year ended June 30, 2017 are as follows:

Capital Assets not depreciated	Governmental Assets			2017
	2016	Additions	Retirements	
Land	\$ 278,276	\$ -	\$ -	\$ 278,276
Construction in Progress	208,158	-	(208,158)	-
Total assets not being depreciated	<u>486,434</u>	<u>-</u>	<u>(208,158)</u>	<u>278,276</u>
<u>Capital Assets being depreciated</u>				
Building and improvements	1,193,769	-	-	1,193,769
Machinery & equipment	472,131	79,014	-	551,145
Infrastructure	3,075,368	392,658	-	3,468,026
Sub-total	<u>4,741,268</u>	<u>471,672</u>	<u>-</u>	<u>5,212,940</u>
Accumulated depreciation				
Building and improvements	(632,447)	(43,242)	-	(675,689)
Machinery & equipment	(304,937)	(20,980)	-	(325,917)
Infrastructure	(375,262)	(94,436)	-	(469,698)
Total accumulated depreciation	<u>(1,312,646)</u>	<u>(158,658)</u>	<u>-</u>	<u>(1,471,304)</u>
Net property and equipment	<u>\$ 3,915,056</u>	<u>\$ 313,014</u>	<u>\$ -</u>	<u>\$ 4,019,912</u>

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 4 - CAPITAL ASSETS (Continued)

Governmental depreciation was allocated as follows:

Program:	
Executive	\$ 5,835
Administrative	6,192
Planning Department	9,502
Parks Department	5,029
Building Department	5,764
Public Safety	55,227
Highways and Streets	54,905
Non-Departmental	<u>16,204</u>
 Total Governmental Activities	 <u><u>\$ 158,658</u></u>

Changes in Business-type capital assets for the year ended June 30, 2017 are as follows:

<u>Capital Assets not depreciated</u>	<u>Business Type Capital Assets</u>			
	<u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>2017</u>
Land	\$ 21,731	\$ -	\$ -	\$ 21,731
Construction in progress	435,589	13,293	(448,882)	-
Total assets not being depreciated	<u>457,320</u>	<u>13,293</u>	<u>(448,882)</u>	<u>21,731</u>
 <u>Capital Assets being depreciated</u>				
Building and improvements	1,754,602	-	-	1,754,602
Machinery & equipment	645,078	-	-	645,078
Infrastructure	3,027,180	612,263	-	3,639,443
Sub-total	<u>5,426,860</u>	<u>612,263</u>	<u>-</u>	<u>6,039,123</u>
 Accumulated depreciation				
Building and improvements	(907,759)	(46,258)	-	(954,017)
Machinery & equipment	(579,551)	(18,412)	-	(597,963)
Infrastructure	(946,393)	(80,249)	-	(1,026,642)
Total accumulated depreciation	<u>(2,433,703)</u>	<u>(144,919)</u>	<u>-</u>	<u>(2,578,622)</u>
 Net property and equipment	 <u><u>\$ 3,450,477</u></u>	 <u><u>\$ 480,637</u></u>	 <u><u>\$ (448,882)</u></u>	 <u><u>\$ 3,482,232</u></u>

Business-type depreciation was allocated to the Water Fund.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 5 – INTERFUND ACTIVITY

Interfund activity during the year ended June 30, 2017 is as follows:

Fund	Transfer In	Transfer Out	Due To	Due From
General	\$ -	\$ 82,485	\$ 210	\$ 4,443
Street	-	42,915	-	467
Street SDC	-	26,400	-	-
Parks SDC	-	-	5,378	-
Greenway Maintenance Reserve	2,485	-	-	-
Capital Reserve	348,296	-	-	-
Water	25,725	183,296	-	678
Water SDC	-	25,725	-	-
Stormwater SDC	-	15,685	-	-
	<u>\$ 376,506</u>	<u>\$ 376,506</u>	<u>\$ 5,588</u>	<u>\$ 5,588</u>

Transfers and Interfund balances are used to fund operations between funds

NOTE 6 – RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003.

The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

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

Benefits provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 6 – RETIREMENT PLANS-Continued)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes

After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 6 – RETIREMENT PLANS (Continued)

OPSRP Pension Program (OPSRP DB) (Continued)

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

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

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2017 is 2.0 percent.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

OPSRP Individual Account Program (OPSRP IAP) (Continued)

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 6 – RETIREMENT PLANS (Continued)

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$104,310 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 12.70 percent for Tier One/Tier Two General Service and Police Members and OPSRP General Service Members at 5.23 percent and 10.0 percent for OPSRP Police Members.

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

At June 30, 2017, the City reported a liability of \$1,674,829 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.01115636 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$556,499. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,411	\$ -
Changes in assumptions	357,201	-
Net difference between projected and actual earnings on pension plan investments	330,876	-
Change in proportionate share	149,854	-
Differences between employer contributions and employer's proportionate share of system contributions	-	83,250
City contributions subsequent to the measurement date	38,486	-
	\$ 931,828	\$ 83,250

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 6 – RETIREMENT PLANS (Continued)

\$38,486 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ended June 30</u>	<u>Deferred Outflow(Inflow of Resources (prior to post- measurement date contributions)</u>
2018	\$ 146,766
2019	146,766
2020	270,207
2021	212,883
2022	33,470
Thereafter	-
	<u>\$ 810,092</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 6 – RETIREMENT PLANS (Continued)

Actuarial assumptions-(Continued)

Valuation Date	December 31, 2014 rolled forward to measurement date
Measurement Date	June 30, 2016
Experience Study	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of assets
Actuarial Assumptions	
Inflation	2.50 percent
Investment rate of return	7.50 percent
Projected Salary increases	3.50 percent overall payroll growth
Mortality	<p>Healthy retirees and beneficiaries: PF-2000 Sex distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retiree: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-term Bonds	8.00%	3.61%
Intermediate-Term Bonds	3.00%	5.42%
High Yield Bands	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Microl Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate REITS)	2.50%	6.69%
Hedge Fund - Diversified	2.50%	4.64%
Hedge Funds - Event Driven	0.63%	6.72%
Timber	1.87%	5.85%
Farmland	1.87%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
	100.00%	
Assumed inflation - Mean		2.50%

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 6 – RETIREMENT PLANS (Continued)

Discount rate

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

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

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

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	\$ 2,704,290	\$ 1,674,829	\$ 814,379

NOTE 7 – ACCRUED COMPENSATED ABSENCES

At June 30, 2017, the outstanding balance is comprised of accrued vacation time and accrued compensated time. The changes in accrued compensated absences are as follows:

Fund	Beginning Balance	Earned	Taken	Ending Balance
General Fund	\$ 63,374	\$ 39,071	\$ 43,176	\$ 59,269
Water Fund	8,692	13,658	4,669	17,681
	\$ 72,066	\$ 52,729	\$ 47,845	\$ 76,950

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 8 – LONG-TERM DEBT

The following is a recap of the City's long-term debt obligations for the year ended June 30, 2017.

Governmental Funds	Beginning Balance	Additional	Principal	Interest	Ending Balance	Due within one year
Auto Leasing Specialists	\$ -	\$ 79,014	\$ 21,945	\$ -	\$ 57,069	\$ 17,665
Full /faith and Credit 2015B	2,515,000	-	-	100,600	2,515,000	-
Full /faith and Credit 2015C	610,000	-	120,000	13,492	490,000	125,000
	<u>3,125,000</u>	<u>79,014</u>	<u>141,945</u>	<u>114,092</u>	<u>3,062,069</u>	<u>142,665</u>
Business Type Activities						
Full Faith and Credit 2015	1,755,000	-	60,000	60,150	1,695,000	60,000
Lost Creek Water Storage #1	131,068	-	6,377	4,266	124,691	6,584
	<u>1,886,068</u>	<u>-</u>	<u>66,377</u>	<u>64,416</u>	<u>1,819,691</u>	<u>66,584</u>
Total Long-Term Debt	<u>\$ 5,011,068</u>	<u>\$ 79,014</u>	<u>\$ 208,322</u>	<u>\$ 178,508</u>	<u>\$ 4,881,760</u>	<u>\$ 209,249</u>

Auto Leasing Specialists

During the year, the City approved a lease-purchase for two police patrol vehicles. The lease is payable over 4 years at an interest rate of 6%. The amount capitalized was \$79,014. The current year depreciation on these patrol vehicles is \$11,288, for a net book value of \$67,726. Annual payments of \$21,945 are payable each August with a payoff in August of 2019. The payments are made from the General Fund.

The payment schedule for this lease is as follows:

Lease payment schedule	Payment	Principal	Interest
August 2017	\$ 21,945	\$ 17,665	\$ 4,280
August 2018	21,945	18,990	2,955
August 2019	21,945	20,414	1,531
	<u>\$ 65,835</u>	<u>\$ 57,069</u>	<u>\$ 8,766</u>

Full Faith and Credit bonds – Series 2015B and 2015C

On September 29, 2015, the City issued \$3,320,000 of full faith and credit obligation 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 the 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 obligation under the terms of such obligations.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 8 – LONG-TERM DEBT (Continued)

Issuance costs of these two issuances totaled \$62,290 which is expensed during the fiscal period of 2015-16. These issuance costs, along with net bond proceeds totaling \$3,565,812 are accounted for in the special revenue fund of the City under Resolution No. 931, the PhURA Bond Fund. The combined debt schedules of the 2015B and 2015C bond issuances are as follows:

Year	Principal	Interest	Total
2017-18	\$ 125,000	\$ 112,293	\$ 237,293
2018-19	125,000	109,980	234,980
2019-20	130,000	107,105	237,105
2020-21	135,000	103,790	238,790
2021-22	135,000	99,600	234,600
2022-27	765,000	412,400	1,177,400
2027-32	935,000	245,800	1,180,800
2032-35	655,000	129,200	784,200
	<u>\$ 3,005,000</u>	<u>\$ 1,320,168</u>	<u>\$ 4,325,168</u>

The separate schedules related to the Series B and Series C are as follows:

Series 2015 B

Year	Principal	Interest	Total
2017-18	\$ -	\$ 100,600	\$ 100,600
2018-19	-	100,600	100,600
2019-20	-	100,600	100,600
2020-21	25,000	100,600	125,600
2021-22	135,000	99,600	234,600
2022-23	140,000	94,200	234,200
2023-24	145,000	88,600	233,600
2024-25	155,000	82,800	237,800
2025-26	160,000	76,600	236,600
2026-27	165,000	70,200	235,200
2027-28	175,000	63,600	238,600
2028-29	180,000	56,600	236,600
2029-30	185,000	49,400	234,400
2030-31	195,000	42,000	237,000
2031-32	200,000	34,200	234,200
2032-33	210,000	26,200	236,200
2033-34	220,000	17,800	237,800
2034-35	225,000	9,000	234,000
	<u>\$ 2,515,000</u>	<u>\$ 1,213,200</u>	<u>\$ 3,728,200</u>

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 8 – LONG-TERM DEBT (Continued)

Series 2015 C

Year	Principal	Interest	Total
2017-18	\$ 125,000	\$ 11,693	\$ 136,693
2018-19	125,000	9,380	134,380
2019-20	130,000	6,505	136,505
2020-21	110,000	3,190	113,190
	<u>\$ 490,000</u>	<u>\$ 30,768</u>	<u>\$ 520,768</u>

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. 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, 2017.

Year	Principal	Interest	Total
2017-18	\$ 60,000	\$ 59,250	\$ 119,250
2018-19	65,000	58,000	123,000
2019-20	65,000	56,700	121,700
2020-21	65,000	55,400	120,400
2021-22	70,000	53,700	123,700
2022-23	70,000	51,600	121,600
2023-24	70,000	49,500	119,500
2024-25	75,000	47,325	122,325
2025-26	75,000	44,700	119,700
2026-27	80,000	41,600	121,600
2027-28	85,000	38,300	123,300
2028-29	85,000	34,900	119,900
2029-30	90,000	31,400	121,400
2030-31	95,000	27,700	122,700
2031-32	95,000	23,900	118,900
2032-33	100,000	20,000	120,000
2033-34	105,000	15,900	120,900
2034-35	110,000	11,600	121,600
2035-36	115,000	7,100	122,100
2036-37	120,000	2,400	122,400
	<u>\$ 1,695,000</u>	<u>\$ 730,975</u>	<u>\$ 2,425,975</u>

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 8 – LONG-TERM DEBT (Continued)

The above defeased debt does not remain outstanding as of June 30, 2017, 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.

A. 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
2017-18	\$ 6,584	\$ 4,058	\$ 10,642
2018-19	6,799	3,844	10,643
2019-20	7,020	3,623	10,643
2020-21	7,248	3,395	10,643
2021-22	7,484	3,159	10,643
2022-23	7,727	2,915	10,642
2023-24	7,979	2,664	10,643
2024-25	8,238	2,405	10,643
2025-26	8,506	2,137	10,643
2026-27	8,783	1,860	10,643
2027-28	9,069	1,574	10,643
2028-29	9,364	1,279	10,643
2029-30	9,668	975	10,643
2030-31	9,983	660	10,643
2031-32	10,239	336	10,575
	<u>\$ 124,691</u>	<u>\$ 34,884</u>	<u>\$ 159,575</u>

NOTE 9 – PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides property taxes for non-school 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.

City of Phoenix
Notes to the Basic Financial Statements
June 30, 2017

NOTE 10 – 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 11 – COMMITMENTS AND CONTINGENCIES

On November 17, 2017, the City of Phoenix amended its Ordinance 922 thereby transferring the City's powers of the PhURA back to the City Council and Mayor in order to lower costs, improve coordination of resources and time and overall improve efficiencies of administration or the urban renewal plan and functions.

As part of this amendment, the City also entered into an Intergovernmental financing agreement for \$1,560,000 by and between Phoenix Urban Renewal Agency and the City of Phoenix for the completion of the PhURA projects. The interest rate on this agreement is 2.89% and is payable semi-annually on each May 17th and November 17th until November 17, 2032.

During the fiscal year, the City Council passed Resolution 987 to close the Greenway Maintenance Reserve Fund as of June 30, 2017.

The City has completed its construction projects which included the Fern Valley Interchange and the related water line project and several street improvement projects some of which are partially funded by governmental agencies such as the State of Oregon (ODOT). These projects have been capitalized in the appropriate funds.

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.

NOTE 12 – 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, 2017. As of December 12, 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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Phoenix
Schedule of Proportionate Share of Net Pension Liability
For the Year ended June 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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.

Year Ended June 30,	Employer's proportion of the net pension liability (NPL)	Employer's proportionate share of the net pension liability (NPL)	Employer's covered payroll	NLP as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.004%	\$ 815,813	\$ 1,170,903	69.67%	270.60%
2016	0.005%	1,237,296	1,170,114	105.74%	-
2017	0.011%	1,674,829	1,130,229	148.18%	-

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
2015	\$ 123,587	\$ 123,587	\$ -	\$ 1,170,903	10.55%
2016	123,976	123,976	-	1,170,042	10.60%
2017	104,419	104,419	-	1,130,229	9.24%

The amounts presented for each fiscal year were actuarially 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
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 1,022,660	\$ 1,022,660	\$ 1,021,722	\$ (938)
Other taxes	15,300	15,300	28,956	13,656
Charges for services	18,240	18,240	33,751	15,511
Licenses and permits	80,630	80,630	135,690	55,060
Earnings on investments	9,000	9,000	20,791	11,791
Intergovernmental	133,610	133,610	153,431	19,821
Grants	35,500	35,500	22,727	(12,773)
Court	19,800	19,800	14,856	(4,944)
Franchise fees	305,625	305,625	312,846	7,221
Fines and forfeitures	235,270	235,270	180,201	(55,069)
Miscellaneous	2,905	52,805	94,494	41,689
Total revenues	1,878,540	1,928,440	2,019,465	91,025
Expenditures				
Current:				
Executive	92,565	118,065	114,673	3,392
Administrative	133,985	133,985	121,926	12,059
Planning department	185,130	220,030	193,596	26,434
Parks department	106,435	119,435	98,798	20,637
Building	122,075	121,575	117,933	3,642
Police department	1,188,885	1,212,899	1,191,112	21,787
Non-departmental	45,335	77,335	74,651	2,684
Contingency	100,000	100,000	-	100,000
Total expenditures	1,974,410	2,103,324	1,912,689	190,635
Excess (deficiency) of revenues over (under) expenditures	(95,870)	(174,884)	106,776	281,660
Other Financing Sources (Uses)				
Lease purchase proceeds	-	79,014	79,014	-
Operating transfers out	(82,485)	(82,485)	(82,485)	-
Total Other Financing Sources (Uses)	(82,485)	(3,471)	(3,471)	-
Net change in fund balance	(178,355)	(178,355)	103,305	281,660
Beginning Fund Balance	910,705	910,705	906,687	(4,018)
Prior Period Adjustment	-	-	(7,452)	(7,452)
Beginning Fund Balance- as restated	910,705	910,705	899,235	(11,470)
Ending Fund Balance	\$ 732,350	\$ 732,350	\$ 1,002,540	\$ 270,190

City of Phoenix
Statement of Revenues, expenditures, and Changes in Fund Balance – Budget to Actual
Street Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Charges for Services	\$ 233,220	\$ 233,220	\$ 231,451	\$ (1,769)
Licenses and permits	-	-	135	135
Intergovernmental	344,975	344,975	371,286	26,311
Franchise fees	14,880	14,880	19,828	4,948
Investment revenue	4,450	4,450	17,476	13,026
Miscellaneous	500	500	60	(440)
Total revenues	598,025	598,025	640,236	42,211
Expenditures				
Current:				
Highways and streets				
Personnel services	213,095	213,095	156,698	56,397
Materials and services	254,150	254,150	175,208	78,942
Contingency	75,000	75,000	-	75,000
Total expenditures	542,245	542,245	331,906	210,339
Excess (deficiency) of revenues over (under) expenditures	55,780	55,780	308,330	252,550
Other Financing Sources (Uses)				
Operating transfers out	(42,915)	(42,915)	(42,915)	-
Total Other Financing Sources (Uses)	(42,915)	(42,915)	(42,915)	-
Net change in fund balance	12,865	12,865	265,415	252,550
Beginning Fund Balance	579,545	579,545	738,132	158,587
Ending Fund Balance	\$ 592,410	\$ 592,410	\$ 1,003,547	\$ 411,137

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Street SDC Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Charges for Services	\$ 179,600	\$ 179,600	\$ 237,903	\$ 58,303
Investment revenue	120	120	13	(107)
Total revenues	179,720	179,720	237,916	58,196
Expenditures				
Current:				
Highways and streets				
Capital outlay	325,287	325,287	179,342	145,945
Total expenditures	325,287	325,287	179,342	145,945
Excess (deficiency) of revenues over (under) expenditures	(145,567)	(145,567)	58,574	204,141
Other Financing Sources (Uses)				
Operating transfers out	(26,400)	(26,400)	(26,400)	-
Total Other Financing Sources (Uses)	(26,400)	(26,400)	(26,400)	-
Net change in fund balance	(171,967)	(171,967)	32,174	204,141
Beginning Fund Balance	382,900	382,900	126,318	(256,582)
Ending Fund Balance	\$ 210,933	\$ 210,933	\$ 158,492	\$ (52,441)

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Phoenix Urban Renewal Agency Bond Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Investment revenue	\$ -	\$ -	\$ 94	\$ 94
Total revenues	-	-	94	94
Expenditures				
Current:				
Materials and service	1,265,608	1,265,608	1,200	1,264,408
Debt Service	234,092	234,092	234,084	8
Total expenditures	1,499,700	1,499,700	235,284	1,264,416
Excess (deficiency) of revenues over (under) expenditures	(1,499,700)	(1,499,700)	(235,190)	1,264,510
Other Financing Sources (Uses)				
Payment	234,092	234,092	235,284	1,192
Total Other Financing Sources (Uses)	234,092	234,092	235,284	-
Net change in fund balance	(1,265,608)	(1,265,608)	94	1,265,702
Beginning Fund Balance	1,265,608	1,265,608	378,640	(886,968)
Ending Fund Balance	\$ -	\$ -	\$ 378,734	\$ 378,734

SUPPLEMENTARY INFORMATION

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Budgetary Basis (Non-GAAP)
Water Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for Services	\$ 1,280,690	\$ 1,280,690	\$ 1,252,507	\$ (28,183)
Earnings on Investments	175	175	63	(112)
Miscellaneous	2,395	42,395	40,082	(2,313)
Franchise Fees	15,355	15,355	10,943	(4,412)
Total Revenues	1,298,615	1,338,615	1,303,595	(35,020)
Expenditures				
Current				
Personnel Services	423,240	423,240	378,543	44,697
Materials and Services	553,320	593,320	522,789	70,531
Debt Service	130,795	130,795	130,788	7
Contingency	100,000	100,000	-	100,000
Total Expenditures	1,207,355	1,247,355	1,032,120	215,235
Excess (deficiency) of revenues over (under) expenditures	91,260	91,260	271,475	180,215
Other Financing Sources (Uses)				
Operating transfers in	25,725	25,725	25,725	-
Operating transfers out	(183,296)	(183,296)	(183,296)	-
Total Other Financing Sources (Uses)	(157,571)	(157,571)	(157,571)	-
Net change in fund balance	(66,311)	(66,311)	113,904	180,215
Beginning Fund Balance	511,940	511,940	481,404	(30,536)
Ending Fund Balance	\$ 445,629	\$ 445,629	595,308	\$ 149,679
Reconciliation to the Statement of Proprietary Net Position				
Restatement of prior year net assets			755,005	
Water SDC Fund			156,139	
Stormwater SDC Fund			35,621	
Net pension liability			(334,996)	
Deferred outflows - pensions			186,365	
Capital Assets-net			3,482,232	
Deferred inflows pension			(16,650)	
Net pension expense			39,338	
Accrued compensated absences			(17,681)	
Accrued interest			(8,996)	
Bonds and notes payable			(1,819,691)	
Net Position			\$ 3,051,994	

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Water System Development Charges Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
System Development Charge	\$ 30,715	\$ 30,715	\$ 52,168	\$ 21,453
Earnings on investments	40	40	23	(17)
Total Revenues	<u>30,755</u>	<u>30,755</u>	<u>52,191</u>	<u>21,436</u>
Other Financing Sources (Uses)				
Operating transfers out	(25,725)	(25,725)	(25,725)	-
Net change in fund balance	5,030	5,030	26,466	21,436
Beginning Fund Balance	<u>97,525</u>	<u>97,525</u>	<u>129,673</u>	<u>32,148</u>
Ending Fund Balance	<u>\$ 102,555</u>	<u>\$ 102,555</u>	<u>\$ 156,139</u>	<u>\$ 53,584</u>

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Stormwater Development Charges Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
System Development Charge	\$ 37,155	\$ 37,155	\$ 44,758	\$ 7,603
Earnings on investments	-	-	1	1
Total Revenues	<u>37,155</u>	<u>37,155</u>	<u>44,759</u>	<u>7,604</u>
Other Financing Sources (Uses)				
Operating transfers out	(15,685)	(15,685)	(15,685)	-
Net change in fund balance	21,470	21,470	29,074	7,604
Beginning Fund Balance	<u>34,260</u>	<u>34,260</u>	<u>6,547</u>	<u>(27,713)</u>
Ending Fund Balance	<u>\$ 55,730</u>	<u>\$ 55,730</u>	<u>\$ 35,621</u>	<u>\$ (20,109)</u>

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Capital Reserve Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Earnings on investments	\$ -	\$ -	\$ 99	\$ 99
Expenditures				
Materials and services	50,000	50,000	-	50,000
Capital outlay	292,261	292,261	359,360	(67,099)
Total expenditures	342,261	342,261	359,360	(17,099)
Other Financing Sources (Uses)				
Operating transfers in	348,296	348,296	348,296	-
Net change in fund balance	6,035	6,035	(10,965)	(17,099)
Beginning Fund Balance	1,209,570	1,209,570	1,224,860	15,290
Period Adjustment	-	-	(504,150)	(504,150)
Beginning Fund Balance - as restated	1,209,570	1,209,570	720,710	(488,860)
Ending Fund Balance	<u>\$ 1,215,605</u>	<u>\$ 1,215,605</u>	<u>\$ 709,745</u>	<u>\$ (505,959)</u>

**City of Phoenix
Combining Balance Sheet
June 30, 2017**

	Advertising Promotion Fund	Tourist Usage Fund	Parks and Recreation SDC Fund	Total
ASSETS				
Cash	\$ 6,818	\$ 7,158	\$ 87,548	\$ 101,524
Due from Other Funds	-	-	5,378	5,378
Accounts Receivable	365	3,126	-	3,491
Total Assets	7,183	10,284	92,926	110,393
LIABILITIES				
Accounts payable	-	550	-	550
Fund Balances				
Committed For:				
Advertising Promotion	7,183	-	-	7,183
Tourist Usage	-	9,734	-	9,734
Restricted For:				
Park and Recreation SDC's	-	-	92,926	92,926
Total Fund Balances	7,183	9,734	92,926	109,843
Total Liabilities and Fund Balances	\$ 7,183	\$ 10,284	\$ 92,926	\$ 110,393

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Advertising Promotion Fund	Tourist Usage Fund	Parks and Recreation SDC Fund	Greenway Maintenance Fund	Total
Revenues					
Taxes	\$ 10,273	\$ 19,811	\$ -	\$ -	\$ 30,084
Charges for Services	-	-	5,858	-	5,858
Earnings on Investments	-	-	7	-	7
Miscellaneous	670	-	-	-	670
Total Revenues	10,943	19,811	5,865	-	36,619
Expenditures					
Parks Department	-	-	7,460	-	7,460
Non-Departmental	4,444	12,136	-	2,600	19,180
Total Expenditures	4,444	12,136	7,460	2,600	26,640
Net change in fund balances	6,499	7,675	(1,595)	(2,600)	9,979
Other financing Sources (Uses)					
Operating transfer In	-	-	-	2,485	2,485
Beginning Fund Balance	684	2,059	94,521	-	97,264
Prior period adjustment	-	-	-	115	115
Beginning Fund Balance - as restated	684	2,059	94,521	115	97,379
Ending Fund Balance	\$ 7,183	\$ 9,734	\$ 92,926	\$ -	\$ 109,843

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Advertising Promotion Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,400	\$ 4,400	\$ 10,273	\$ 5,873
Miscellaneous	-	-	670	670
Total Revenues	4,400	4,400	10,943	6,543
EXPENDITURES				
Materials and Services	5,000	5,000	4,444	556
Net change in fund balance	(600)	(600)	6,499	7,099
BEGINNING FUND BALANCE	1,797	1,797	684	(1,113)
ENDING FUND BALANCE	\$ 1,197	\$ 1,197	\$ 7,183	\$ 5,986

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Tourist Usage Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 12,750	\$ 12,750	\$ 19,811	\$ 7,061
Total Revenues	12,750	12,750	19,811	7,061
EXPENDITURES				
Materials and Services	14,500	14,500	12,136	2,364
Net change in fund balance	(1,750)	(1,750)	7,675	9,425
BEGINNING FUND BALANCE	5,015	5,015	2,059	(2,956)
ENDING FUND BALANCE	<u>\$ 3,265</u>	<u>\$ 3,265</u>	<u>\$ 9,734</u>	<u>\$ 6,469</u>

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Parks and Recreation SDC Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 6,305	\$ 6,305	\$ 5,858	\$ (447)
Earnings on Investments	20	20	7	(13)
Total Revenues	6,325	6,325	5,865	(460)
EXPENDITURES				
Parks Department				
Materials and services	-	-	7,460	(7,460)
Capital Outlay	95,000	95,000	-	95,000
Total Expenditures	95,000	95,000	7,460	87,540
Net change in fund balance	(88,675)	(88,675)	(1,595)	87,080
BEGINNING FUND BALANCE	91,855	91,855	94,521	2,666
ENDING FUND BALANCE	<u>\$ 3,180</u>	<u>\$ 3,180</u>	<u>\$ 92,926</u>	<u>\$ 89,746</u>

City of Phoenix
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Greenway Maintenance Reserve Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Materials and Services	\$ 2,600	\$ 2,600	\$ 2,600	\$ -
Total expenditures	2,600	2,600	2,600	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,485	2,485	2,485	-
Net change in fund balance	(115)	(115)	(115)	-
BEGINNING FUND BALANCE	115	115	-	(115)
Prior Period Adjustment	-	-	115	115
BEGINNING FUND BALANCE - as restated	115	115	115	-
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Phoenix
Schedule of Property Tax Transactions
For the Year Ended June 30, 2017**

Fiscal Year	Beginning Receivable	Levy	Discounts	Adjustments	Cash Collections	Uncollected
2016-17	\$ -	\$ 1,045,769	\$ (26,532)	\$ (1,550)	\$ (985,200)	\$ 32,487
Prior	65,682	-	1	3,294	(24,152)	44,825
	<u>\$ 65,682</u>	<u>\$ 1,045,769</u>	<u>\$ (26,531)</u>	<u>\$ 1,744</u>	<u>\$ (1,009,352)</u>	<u>\$ 77,312</u>

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report Required by Oregon State Regulations

To the Governing Body of the
City of Phoenix, Oregon

I have audited the basic financial statements of the City of Phoenix, Oregon as of and for the year ended June 30, 2017, and have issued my report thereon dated December 12, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

The City over-expended in the following funds, in the following amounts:

Capital Reserve Fund	
Capital outlay	<u>\$ 67,099</u>
Parks and Recreation SDC Fund	
Materials and services	<u>\$ 7,460</u>

OAR 162-10-0230 Internal Control

In planning and performing my audit, I considered the City of Phoenix, Oregon's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Phoenix, Oregon's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Phoenix, Oregon's internal control over financial reporting. However, I did in a letter dated December 12 2017, make recommendations to management to improve the accounting records or improve the internal control system.

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



Richard W. Brewster
Certified Public Accountant

December 12, 2017

