

CITY OF PHOENIX, OREGON

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

WITH

INDEPENDENT AUDITOR'S REPORTS



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

CITY OF PHOENIX, OREGON

Year Ended June 30, 2018

ELECTED OFFICIALS OF THE CITY OF PHOENIX, OREGON

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541-261-3139

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Councilor

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Councilor

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Councilor

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Councilor

Terry Baker
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541-973-7220

Councilor

Cindy Cameron
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541-941-6512

Councilor

ADMINISTRATION

Aaron Prunty
112 W. 2nd Street
P.O. Box 330
Phoenix, Oregon 97535

City Manager

Janette Boothe
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Finance Director/Human Resource Director

CITY OF PHOENIX, OREGON
Year Ended June 30, 2018
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Phoenix
Phoenix, OR 97535

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund and major special revenue fund budgetary comparison information, certain pension schedules, and certain other post-employment benefit schedules 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis, certain pension schedules, and certain other post-employment benefit schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis, certain pension schedules, and certain other post-employment benefit schedules because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund and major special revenue fund budgetary comparison schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund and major special revenue fund budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not required as part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulations, we have also issued our report dated December 21, 2018, on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 21, 2018

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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, Oregon (the City) for the fiscal year ended June 30, 2018. 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. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the **government-wide statements**, the City's assets and deferred outflows totaled \$20.1 million at June 30, 2018, consisting of \$13.47 million in capital assets, \$5.46 million in cash and investments, \$655 thousand in receivables and \$8 thousand in other assets. The City's assets and deferred outflows increased by \$2.38 million, or 13.4 percent from the prior year.
- In the **government-wide statements**, the City's liabilities and deferred inflows totaled \$8.8 million at June 30, 2018, consisting of \$6.46 million in long-term debt, \$1.44 million in net pension liability and about \$754 thousand in accounts payable and other current liabilities. The City's liabilities and deferred inflows increased by \$834 thousand or 9.47 percent from the prior year.
- In the **government-wide statements**, the City's net position (assets/deferred outflows minus liabilities/deferred inflows) totaled \$11.35 million at June 30, 2018, of which \$7.01 million was net investment in capital assets, \$235 thousand was considered restricted, and \$4.1 million was considered unrestricted. In the prior year, net position totaled \$9.8 million of which \$5.63 million was net investment in capital assets, \$1.22 million was considered restricted, and \$2.95 million was considered unrestricted.
- The City's net position increased \$477 thousand during the fiscal year ended June 30, 2018, an increase of about 4.87 percent (before considering restatements). This increase is related to increased revenues in both the governmental activities and the business type activities. The beginning net position was restated as a result of the Phoenix Urban Renewal Agency becoming a blended component unit during fiscal 2018. See Note 3 of the financial statements for further information.
- In the **government-wide statements**, the City generated program revenues of \$1.82 million which is primarily Charges for Services. General revenues which include taxes, licenses and permits, intergovernmental, franchise fees, fines and forfeitures and earnings on investments totaled \$3.21 million for governmental activities. The business type activities generated \$34 thousand in general revenues. The Government-Wide expenses were \$3.41 million for governmental activities and \$1.18 million for business type activities. Total Government Wide expenses were \$4.60 million.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

OVERVIEW OF THE 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 is the Required and Other Supplementary Information which provides budgetary comparisons for the governmental and proprietary funds, and other combining fund schedules. Finally, completing the document is a series of other financial schedules, and reports by the independent certified public accountants, as required by statute.

1. 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 accrual basis of accounting.

The statement of net position includes all assets and deferred outflows of the City (including infrastructure) as well as all liabilities and deferred inflows (including long-term debt). Net position is the difference between assets/deferred outflows and liabilities/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 information technology, administration and financial services and other general functions not separately identified as a program.
- Public Safety – includes police department.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

- 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 and building inspection functions.
- Highways and streets – includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.
- Non-departmental – includes those activities that are not specifically included in another department.

Business-type activities include the following:

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

2. 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 Phoenix Urban Renewal Agency Fund. The other nonmajor funds (Advertising Promotion, Tourist Usage and Parks and Recreation SDC) are combined and presented in a single column as other governmental funds.

Proprietary Funds. Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. The City has three enterprise funds to account for its water operations. The Water Fund is the major enterprise fund. The Water SDC Fund and Stormwater SDC Fund are budgeted separately, but are considered part of the Water Fund and are combined with that fund in the proprietary fund financial statements.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

3. 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/deferred outflows and liabilities/deferred inflows are included in the notes which should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets/deferred outflows exceeded liabilities/deferred inflows by \$11.35 million at June 30, 2018. Net position for governmental activities totaled \$8.01 million while net position for business-type activities totaled \$3.25 million.

	June 30, 2018		June 30, 2017	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Capital assets, net	\$ 9,978,177	\$ 3,491,670	\$ 4,019,912	\$ 3,482,232
Other assets	4,141,117	1,984,335	7,698,689	1,628,163
Total assets	14,119,294	5,476,005	11,718,601	5,110,395
Deferred outflow s	454,788	95,260	745,463	186,365
Total assets and deferred outflow s	14,574,082	5,571,265	12,464,064	5,296,760
Current liabilities	535,554	542,453	1,252,007	73,459
Net pension liability	1,186,869	248,603	1,339,863	334,966
Long-term debt, net	4,625,477	1,830,410	3,062,069	1,819,691
Total liabilities	6,347,900	2,621,466	5,653,939	2,228,116
Deferred inflow s	127,377	26,681	66,600	16,650
Total liabilities and deferred inflow s	6,475,277	2,648,147	5,720,539	2,244,766
Net Position:				
Invested in capital assets	5,352,700	1,661,260	3,962,843	1,662,541
Restricted	76,538	157,964	1,026,722	191,760
Unrestricted	2,669,567	1,428,365	1,753,960	1,197,693
Total net position	8,098,805	3,247,589	\$ 6,743,525	\$ 3,051,994

As mentioned earlier, net position may be an indicator of the City's financial position. At the end of the current year, the City has a positive net position balance. Net position increased by \$476 thousand before considering the restatement. The largest portion of the City's net position is its net investment in capital assets, 62%. Its restricted/unrestricted net position represent, 38% of total net position. In the prior year, 57% of the City's net position was net investments in capital assets, and 43% percent was restricted/unrestricted.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

Analysis of Changes in Net Position (continued)

The City's Statement of Activities for fiscal year ended June 30 follows:

	June 30, 2018		June 30, 2017	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues				
Program Revenues				
Charges for services	\$ 353,885	\$ 1,423,066	\$ 508,963	\$ 1,349,433
Operating grants	47,075	-	22,727	-
General Revenues:				
Property taxes	1,547,057	-	1,061,121	-
Other taxes	61,003	-	28,956	-
Licenses and permits	81,137	-	135,825	-
Intergovernmental	696,825	-	760,001	-
Franchise fees	345,624	27,615	332,674	10,943
Fines and forfeitures	56,473	-	195,057	-
Interest earnings	75,857	-	38,480	87
Miscellaneous	346,017	6,077	95,224	40,082
Total revenues	<u>3,610,953</u>	<u>1,456,758</u>	<u>3,179,028</u>	<u>1,400,545</u>
Expenses:				
Executive	366,261	-	129,129	-
Administrative	122,204	-	137,026	-
Planning	123,110	-	210,282	-
Parks Department	139,567	-	111,287	-
Building	122,384	-	127,553	-
Police	1,148,559	-	1,222,218	-
Highway and street	429,125	-	544,555	-
Non-Departmental	461,321	-	139,315	-
Interest Expense	498,751	-	114,092	-
Water	-	1,179,791	-	1,131,393
Total expenses	<u>3,411,282</u>	<u>1,179,791</u>	<u>2,735,457</u>	<u>1,131,393</u>
Transfer (to) and from other funds	-	-	24,121	(24,121)
Change in net position	<u>199,671</u>	<u>276,967</u>	<u>467,692</u>	<u>245,031</u>
Beginning net position - restated	<u>7,899,134</u>	<u>2,970,622</u>	<u>6,275,833</u>	<u>2,806,963</u>
Ending net position	<u>\$ 8,098,805</u>	<u>\$ 3,247,589</u>	<u>\$ 6,743,525</u>	<u>\$ 3,051,994</u>

Governmental Activities

Governmental activities increased the City's net position by approximately \$200 thousand. Revenues totaled approximately \$3.61 million, and consisted primarily of property taxes of approximately \$1.55 million, intergovernmental of approximately \$697 thousand, charges for services of approximately \$354 thousand, and franchise fees of approximately \$346 thousand.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

Business-Type Activities

Business-type activities increased the City's net position by approximately \$277 thousand. Business-type revenues totaled \$1.46 million and consisted primarily of charges for services (approximately 98%).

Charges for services, which totaled approximately \$1.42 million, are comprised of solely water. Business-type activities are self-supporting where revenues are expected to cover expenses.

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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Major governmental funds reported by the City include the General Fund, the Street Fund, Street SDC Fund, Phoenix Urban Renewal Agency Bond Fund and Phoenix Urban Renewal Agency Fund.

At the end of the current year, the City's governmental funds had combined ending fund balances of \$3.64 million, a decrease of approximately \$984 thousand. This decrease can primarily be attributed to capital outlay associated with urban renewal.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$725 thousand, a decrease of \$191 thousand from the previous year. Unassigned fund balance represents 35.4% total General Fund expenditures, which may be a useful measure of the General Fund's liquidity.

Fund balances decreased by \$55 thousand in the Street Fund, decreased by \$86 thousand in the Street SDC Fund, decreased by \$144 thousand in the Phoenix Urban Renewal Agency Bond Fund, decreased by \$1.14 million in the Phoenix Urban Renewal Agency Fund, and decreased by \$33 thousand in Other Governmental Funds.

Proprietary Funds

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

At June 30, 2018, unrestricted net position of the proprietary funds was \$1.43 million, an increase of approximately \$723 thousand from the prior year. Net investment in capital assets was \$1.66 million and the restricted net position balance was \$158 thousand. The Water Fund reported an increase in net position for the current fiscal year of approximately \$277 thousand.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

CAPITAL ASSETS

As of June 30, 2018, the City had invested \$13.5 million in capital assets, net of depreciation as reflected in the following table:

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,679,097	\$ 21,731	\$ 1,700,828
Construction in Progress	4,084,134	160,677	4,244,811
Buildings & Improvements	506,055	755,750	1,261,805
Machinery & Equipment	201,344	34,832	236,176
Infrastructure	3,507,547	2,518,680	6,026,227
	<u>\$ 9,978,177</u>	<u>\$ 3,491,670</u>	<u>\$ 13,469,847</u>

DEBT ADMINISTRATION

As of year-end, the City had \$6.46 million in long-term debt outstanding compared to \$5.16 million in the previous year.

	Outstanding July 1, 2017	Issued	Matured and Redeemed	Outstanding June 30, 2018	Due Within One Year
Governmental Funds					
Auto Leasing Specialists	\$ 57,069	\$ -	\$ (17,665)	\$ 39,404	\$ 18,990
Full Faith & Credit Bonds, Series 2015B	2,515,000	-	-	2,515,000	-
Full Faith & Credit Bonds, Series 2015C	490,000	-	(125,000)	365,000	125,000
Full Faith & Credit Bonds, Series 2017	-	1,560,000	(41,910)	1,518,090	85,645
	<u>3,062,069</u>	<u>1,560,000</u>	<u>(184,575)</u>	<u>4,437,494</u>	<u>229,635</u>
Unamortized Premium/(Discount)	<u>198,129</u>	<u>-</u>	<u>(10,146)</u>	<u>187,983</u>	<u>10,146</u>
Total Governmental Funds	<u>3,260,198</u>	<u>1,560,000</u>	<u>(194,721)</u>	<u>4,625,477</u>	<u>239,781</u>
Business Type Activities					
Advanced Refunding Bonds-Series 2015	1,695,000	-	(60,000)	1,635,000	65,000
Lost Creek Water Storage	124,691	-	(6,584)	118,107	6,799
	<u>1,819,691</u>	<u>-</u>	<u>(66,584)</u>	<u>1,753,107</u>	<u>71,799</u>
Unamortized Premium/(Discount)	<u>81,372</u>	<u>-</u>	<u>(4,069)</u>	<u>77,303</u>	<u>4,069</u>
Total Business Type Activities	<u>1,901,063</u>	<u>-</u>	<u>(70,653)</u>	<u>1,830,410</u>	<u>75,868</u>
Total Long-Term Debt	<u>\$ 5,161,261</u>	<u>\$ 1,560,000</u>	<u>\$ (265,374)</u>	<u>\$ 6,455,887</u>	<u>\$ 315,649</u>

**CITY OF PHOENIX
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

Debt Limitation and Ratings

Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3 percent of the real market value of all taxable property within the City. Based on the fiscal year 2018 value, the City is within its debt limitation.

Please refer to the notes to the basic financial statements for further detailed information.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

The City remains primarily a bedroom community. Due to its demographics and its geographic location in relation to Medford, Talent, and Ashland a high percentage of our population commutes for employment.

The City has continued to see minimal growth in the residential sector over the past year with the buildout of a major residential development it is anticipated that this trend will continue over the next few years. The City has seen a slight increase in commercial activity, including a possible hotel development on the east side of Interstate 5.

The City's official population estimate as of July 1, 2017 was 4,605, reflecting less than a 1% increase from the previous year. The assessed value of property in the City was \$311.5 million.

Anticipated Highlights for the fiscal year 2018-2019 are as follows:

- Capital Improvement Plan Update
- Main Street/Bear Creek Drive overlay and construction
- North Church Street construction (to completion)
- Furry Road reconstruction project
- Property acquisition at entrance to Blue Heron Park
- Park improvement projects (parking expansion at Blue Heron, volleyball court at Colver)
- Water System Master Plan update (to completion)
- AC pipe replacement (Colver Road to Skyline Pump Station Network)
- Water meter replacement and radio read installations

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 P.O. Box 330, 112 West 2nd Street, Phoenix, Oregon 97535. The City's telephone number is 541-535-1955.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF PHOENIX
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Cash and investments	\$ 3,629,383	\$ 1,833,648	\$ 5,463,031
Accounts receivable	394,954	148,585	543,539
Property tax receivable	110,980	-	110,980
Prepaid expenses	2,556	1,423	3,979
RHIA asset	3,244	679	3,923
Capital assets, net			
Land	1,679,097	21,731	1,700,828
Construction in progress	4,084,134	160,677	4,244,811
Buildings and improvements	506,055	755,750	1,261,805
Machinery and equipment	201,344	34,832	236,176
Infrastructure	3,507,547	2,518,680	6,026,227
TOTAL ASSETS	<u>14,119,294</u>	<u>5,476,005</u>	<u>19,595,299</u>
Deferred outflows of resources:			
Deferred amounts related to other post employment benefits (RHIA)	4,260	892	5,152
Deferred amounts related to pensions	450,528	94,368	544,896
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>14,574,082</u>	<u>5,571,265</u>	<u>20,145,347</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Accounts payable	400,507	176,042	576,549
Due to other funds	(678)	678	-
Customer deposits	8,365	10,086	18,451
Accrued interest payable	56,043	8,465	64,508
Accrued compensated absences	71,317	22,711	94,028
Net pension liability	1,186,869	248,603	1,435,472
Long-term debt, net of unamortized premium/discount:			
Due within one year	239,781	75,868	315,649
Due in more than one year	4,385,696	1,754,542	6,140,238
TOTAL LIABILITIES	<u>6,347,900</u>	<u>2,296,995</u>	<u>8,644,895</u>
Deferred inflows of resources:			
Deferred amounts related to other post employment benefits (RHIA)	1,847	387	2,234
Deferred amounts related to pensions	125,530	26,294	151,824
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>6,475,277</u>	<u>2,323,676</u>	<u>8,798,953</u>
NET POSITION:			
Net investment in capital assets	5,352,700	1,661,260	7,013,960
Restricted	76,538	157,964	234,502
Unrestricted	2,669,567	1,428,365	4,097,932
TOTAL NET POSITION	<u>\$ 8,098,805</u>	<u>\$ 3,247,589</u>	<u>\$ 11,346,394</u>

CITY OF PHOENIX
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government						
Executive	\$ 366,261	\$ -	\$ -	\$ (366,261)	\$ -	\$ (366,261)
Administrative	122,204	25,405	-	(96,799)	-	(96,799)
Planning	123,110	-	-	(123,110)	-	(123,110)
Parks	139,567	9,879	-	(129,688)	-	(129,688)
Building	122,384	3,756	-	(118,628)	-	(118,628)
Police	1,148,559	-	-	(1,148,559)	-	(1,148,559)
Highway and street	429,125	314,845	-	(114,280)	-	(114,280)
Non-Departmental	461,321	-	47,075	(414,246)	-	(414,246)
Interest expense	498,751	-	-	(498,751)	-	(498,751)
Total government activities	3,411,282	353,885	47,075	(3,010,322)	-	(3,010,322)
Business-type activities:						
Water	1,179,791	1,423,066	-	-	243,275	243,275
Total Common City	\$ 4,591,073	\$ 1,776,951	\$ 47,075	(3,010,322)	243,275	(2,767,047)
General revenues:						
Property taxes				1,547,057	-	1,547,057
Other taxes				61,003	-	61,003
Licenses and permits				81,137	-	81,137
Intergovernmental				696,825	-	696,825
Franchise fees				345,624	27,615	373,239
Fines and forfeitures				56,473	-	56,473
Interest earnings				75,857	-	75,857
Miscellaneous				346,017	6,077	352,094
Total general revenues				3,209,993	33,692	3,243,685
CHANGE IN NET POSITION				199,671	276,967	476,638
BEGINNING NET POSITION - JULY 1, 2017				6,743,525	3,051,994	9,795,519
Prior period adjustment				1,155,609	(81,372)	\$ 1,074,237
Net position - beginning, as restated				7,899,134	2,970,622	10,869,756
ENDING NET POSITION - JUNE 30, 2018				\$ 8,098,805	\$ 3,247,589	\$ 11,346,394

FUND FINANCIAL STATEMENTS

**CITY OF PHOENIX
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Street Fund	Street SDC Fund	Phoenix Urban Renewal Agency Bond Fund	Phoenix Urban Renewal Agency Fund	Nonmajor Governmental Funds	Total
ASSETS							
Cash and investments	\$ 1,940,239	\$ 890,342	\$ 78,857	\$ 94	\$ 651,861	\$ 67,990	\$ 3,629,383
Accounts receivable	327,558	64,226	-	-	-	3,170	394,954
Property tax receivable	82,497	-	-	-	28,483	-	110,980
Interfund receivable	211	-	-	234,392	-	5,378	239,981
Prepaid expenses	1,403	1,153	-	-	-	-	2,556
TOTAL ASSETS	\$ 2,351,908	\$ 955,721	\$ 78,857	\$ 234,486	\$ 680,344	\$ 76,538	\$ 4,377,854
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 89,938	\$ 7,150	\$ 6,546	\$ -	\$ 305,238	\$ -	\$ 408,872
Interfund payable	4,443	468	-	-	234,392	-	239,303
TOTAL LIABILITIES	94,381	7,618	6,546	-	539,630	-	648,175
Deferred Inflows of Resources:							
Unavailable revenue - property taxes	66,153	-	-	-	22,715	-	88,868
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	160,534	7,618	6,546	-	562,345	-	737,043
Fund Balances:							
Restricted:							
Interchange development	-	-	59,710	-	-	-	59,710
Highway 99 maintenance	-	358	-	-	-	-	358
Street SDC's	-	-	12,601	-	-	-	12,601
Park and recreation SDC's	-	-	-	-	-	65,058	65,058
Urban renewal	-	-	-	-	117,999	-	117,999
Committed:							
Traffic court equipment	14,183	-	-	-	-	-	14,183
Jackson County fine share	29,828	-	-	-	-	-	29,828
Debt service	-	-	-	234,486	-	-	234,486
Advertising promotion	-	-	-	-	-	2,622	2,622
Tourist usage	-	-	-	-	-	8,858	8,858
Capital improvements	1,374,258	-	-	-	-	-	1,374,258
Assigned:							
Police equipment replacement	45,000	-	-	-	-	-	45,000
Reserve officer program	1,829	-	-	-	-	-	1,829
Streets	-	946,592	-	-	-	-	946,592
Nonspendable	1,403	1,153	-	-	-	-	2,556
Unassigned	724,873	-	-	-	-	-	724,873
TOTAL FUND BALANCES	2,191,374	948,103	72,311	234,486	117,999	76,538	3,640,811
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,351,908	\$ 955,721	\$ 78,857	\$ 234,486	\$ 680,344	\$ 76,538	\$ 4,377,854

**CITY OF PHOENIX
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL FUND BALANCES		\$ 3,640,811
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 11,636,062	
Accumulated depreciation	<u>(1,657,885)</u>	9,978,177
Deferred outflows/inflows of resources related to pensions and other postemployment benefits (RHIA)-(net)		327,411
The other post employment benefit asset (RHIA) is not reported with the governmental funds as it is not available nor payable currently.		3,244
A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		88,868
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due.		
These liabilities consist of:		
Compensated absences payable		(71,317)
Net pension liability		(1,186,869)
Accrued interest payable		(56,043)
Long-term debt, net of unamortized premium/discount		<u>(4,625,477)</u>
TOTAL NET POSITION		<u>\$ 8,098,805</u>

**CITY OF PHOENIX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General Fund	Street Fund	Street SDC Fund	Phoenix Urban Renewal Agency Bond Fund	Phoenix Urban Renewal Agency Fund	Nonmajor Governmental Funds	Total
REVENUES							
Taxes	\$ 1,200,413	\$ -	\$ -	\$ -	\$ 375,222	\$ 11,692	\$ 1,587,327
Charges for services	32,553	251,026	63,819	-	-	9,879	357,277
Licenses and permits	80,732	405	-	-	-	-	81,137
Earnings on investments	35,527	32,453	-	-	7,877	-	75,857
Intergovernmental	251,372	417,406	-	-	-	-	668,778
Grants	-	-	-	-	47,075	-	47,075
Franchise fees	318,872	13,691	-	-	-	-	332,563
Court	13,061	-	-	-	-	-	13,061
Fines and forfeitures	57,093	-	-	-	-	-	57,093
Miscellaneous	46,542	72	-	-	20,502	270	67,386
TOTAL REVENUES	2,036,165	715,053	63,819	-	450,676	21,841	3,287,554
EXPENDITURES							
Current:							
Executive	170,855	-	-	-	-	-	170,855
Administrative	121,386	-	-	-	-	-	121,386
Planning	122,690	-	-	-	-	-	122,690
Parks	138,847	-	-	-	-	37,747	176,594
Building	122,064	-	-	-	-	-	122,064
Police	1,158,122	-	-	-	-	-	1,158,122
Highways and streets	-	427,649	-	-	-	-	427,649
Urban renewal agency	-	-	-	-	13,737	-	13,737
Non-departmental	158,739	-	-	1,201	60,080	17,399	237,419
Debt service:							
Principal	-	-	-	184,575	-	-	184,575
Interest	-	-	-	117,161	-	-	117,161
Capital outlay	57,221	-	-	-	2,867,103	-	2,924,324
TOTAL EXPENDITURES	2,049,924	427,649	-	302,937	2,940,920	55,146	5,776,576
OTHER FINANCING SOURCES (USES):							
Transfers In	492,848	-	-	-	-	-	492,848
Transfers Out	-	(342,848)	(150,000)	-	-	-	(492,848)
Intergovernmental loan, series 2017	-	-	-	(1,504,700)	1,504,700	-	-
Remaining proceeds, series 2015	-	-	-	(144,248)	144,248	-	-
Scheduled debt service transfers, series 2015	-	-	-	302,937	(302,937)	-	-
Debt issuance costs	-	-	-	(55,300)	-	-	(55,300)
Proceeds from new debt, series 2017	-	-	-	1,560,000	-	-	1,560,000
TOTAL OTHER FINANCING SOURCES (USES)	492,848	(342,848)	(150,000)	158,689	1,346,011	-	1,504,700
NET CHANGE IN FUND BALANCE	479,089	(55,444)	(86,181)	(144,248)	(1,144,233)	(33,305)	(984,322)
FUND BALANCE - JULY 1, 2017, as restated	1,712,285	1,003,547	158,492	378,734	1,262,232	109,843	4,625,133
FUND BALANCE - JUNE 30, 2018	\$ 2,191,374	\$ 948,103	\$ 72,311	\$ 234,486	\$ 117,999	\$ 76,538	\$ 3,640,811

**CITY OF PHOENIX
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

NET CHANGE IN FUND BALANCE \$ (984,322)

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

Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 2,928,340	
Less current year depreciation	<u>(186,581)</u>	2,741,759

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.		20,463
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Lease payments for police vehicles are reported in the Statement of Activities but are not reported in the Governmental Fund statements.		17,665
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Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.		(12,048)
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Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of the following difference: Amortization of premium (discount)		10,146
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In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due. This is the amount by which the interest paid exceeded the interest expense. Interest paid	202,423	
Less: interest expense	<u>(208,111)</u>	(5,688)

Government funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension and RHIA benefits earned net of employee contributions is reported as pension/RHIA expenses.		(195,214)
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Principal repayments are an expenditure in the governmental fund presentation. In the Statement of Activities, these loan repayments are reclassified to the Statement of Net Assets as a reduction of debt. Principal repayments	166,910	
Proceeds	<u>(1,560,000)</u>	<u>(1,393,090)</u>

CHANGE IN NET POSITION \$ 199,671

**CITY OF PHOENIX
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

	Total Water Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Pooled cash and investments	\$ 1,833,648
Receivables, net	148,585
Prepaid expenses	1,423
Total current assets	1,869,828
Noncurrent assets:	
RHIA asset	679
Land	21,731
Construction in progress	160,677
Buildings and improvements, net	755,750
Machinery and equipment, net	34,832
Infrastructure, net	2,518,680
Total noncurrent assets	3,492,349
TOTAL ASSETS	5,476,005
Deferred outflows of resources:	
Deferred amounts related to other post employment benefits (RHIA)	892
Deferred amounts related to pensions	94,368
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,571,265
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current liabilities:	
Accounts payable	176,042
Due to other funds	678
Accrued interest payable	8,465
Customer deposits	10,086
Compensated absences	22,711
Net pension liability	248,603
Long-term debt, net (current portion)	75,868
Total current liabilities	542,453
Noncurrent liabilities:	
Long-term debt, net	1,754,542
Total noncurrent liabilities	1,754,542
TOTAL LIABILITIES	2,296,995
Deferred inflows of resources:	
Deferred amounts related to other post employment benefits (RHIA)	387
Deferred amounts related to pensions	26,294
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,323,676
Net Position:	
Net investment in capital assets	1,661,260
Restricted- system development	157,964
Unrestricted	1,428,365
TOTAL NET POSITION	\$ 3,247,589

See accompanying notes to basic financial statements

**CITY OF PHOENIX
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018**

	<u>Water Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,331,137
System development charges	91,929
Franchise fees	27,615
Miscellaneous	<u>6,077</u>
TOTAL OPERATING REVENUES	<u>1,456,758</u>
OPERATING EXPENSES	
Current:	
Personal services	431,332
Materials and services	496,185
Capital Outlay	42,341
Depreciation	<u>151,239</u>
TOTAL OPERATING EXPENSES	<u>1,121,097</u>
OPERATING INCOME (LOSS)	<u>335,661</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>(58,694)</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(58,694)</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES	<u>276,967</u>
NET CHANGE IN NET POSITION	276,967
NET POSITION - JULY 1, 2017 as restated	<u>2,970,622</u>
NET POSITION - JUNE 30, 2018	<u><u>\$ 3,247,589</u></u>

**CITY OF PHOENIX
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,465,239
Payments to suppliers	(400,343)
Payments to employees	<u>(410,353)</u>
Net cash provided (used) by operating activities	<u>654,543</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase and construction of capital assets	(160,677)
Bond interest paid, net of premium	(63,308)
Principal paid on capital debt	<u>(66,584)</u>
Net cash provided (used) by capital and related financing activities	<u>(290,569)</u>
Net increase (decrease) in cash and cash equivalents	363,974
Balances - Beginning of the year	<u>1,469,674</u>
Balances - End of the year	<u><u>\$ 1,833,648</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 335,661
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation expense	151,239
Change in assets and liabilities:	
Receivables, net	8,481
Pension items	14,108
Deposits	1,841
Compensated absences	5,030
Accounts and other payables	<u>138,183</u>
Net cash provided (used) by operating activities	<u><u>\$ 654,543</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

The Financial 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, streets, urban renewal, 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 discretely presented component units.

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.

Blended Component Unit

The City has included the financial operations of its Urban Renewal Agency (the Agency) as a blended component unit in the basic financial statements. The Agency is a legally separate entity which is governed by a board comprised of the members of the City Council as stipulated by the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. The operational responsibility for the component unit rests with the management of the City. The City accounts for the Agency using a governmental fund (Phoenix Urban Renewal Fund). This fund is considered a special revenue fund for financial reporting purposes.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all activities of the City. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties for services.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (continued)

The Statement of Activities presents the direct expenses of a given function/program or business-type activity and the related program revenues categorized into charges for services, operating grants and contributions and capital grants and contributions. Direct expenses are those that are clearly identifiable

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

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements have been satisfied. The effect of interfund activity within governmental activities or business-type activities such as transfers, advances and loans is eliminated.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary fund types.

Governmental Funds

Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue and debt service funds).

The governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance present increases and decreases in those current net fund balances. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e. where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the City) are determined to be met when the underlying expenditures are recorded. Eligibility requirements for intergovernmental revenues which are unrestricted as to purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements are considered to be met at the time of receipt or when susceptible to accrual.

Property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflow of resources (unavailable revenue). Property taxes, which are held at year end by the collecting agency, Jackson County, and are remitted to the City within the 60-day period, are reported as "Taxes Receivable."

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

The following are the City's major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are property taxes, utility franchise fees, intergovernmental and other taxes. The Capital Reserve Fund was established to accumulate resources from year to year for specific purposes and projects related to infrastructure and/or purchase new equipment, at the discretion of the City Council. This fund has been combined with the General Fund as reserve funds do not meet the definition of a fund under generally accepted accounting principles.

Street Fund (Special Revenue 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 SDC Fund (Special Revenue 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 (Debt Service Fund) – During the 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.

Phoenix Urban Renewal Agency Fund – This fund was formed primarily to carry out the terms of the Urban Renewal Plan, implement certain goals and objectives of the City of Phoenix Comprehensive Plan, and assist in meeting the City's economic development objectives.

The City's other non-major governmental funds consist of the Advertising Promotion Fund, Tourist Usage Fund, and Parks and Recreation System Development Charges Fund.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds – Enterprise funds

Proprietary funds can be separated into enterprise funds and internal service funds. All of the City's proprietary funds are enterprise funds. These funds account for the acquisition, operation and maintenance of the City facilities and services which are entirely self-supporting through service charges of customers. Services accounted for through enterprise funds are sewer operations and public facilities improvements.

Funds included in this category are the Water Fund, Water System Development Charges Fund, Storm Water System Development Charges Fund, and the Capital Reserve fund.

The City's proprietary fund distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's internal service fund consist of charges for services and the cost of providing those services. All other revenues and expenses are reported as nonoperating.

The principal operating revenues are charges to customers. Operating expenses include cost of sales, debt service, capital outlay, administration expenses, and depreciation.

All proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The accrual basis of accounting is utilized by proprietary fund types where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports the following major enterprise fund:

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 City's other enterprise funds consist of the Water Systems Development Charges Fund, Storm Water Systems Development Charges Fund, and Capital Reserve Fund. These funds have been combined with the Water Fund as management views these funds as a collective enterprise fund for financial reporting purposes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of deferred outflows, which arises only under the full accrual basis of accounting that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of deferred inflows, deferred amounts related to pension, deferred amounts related to other post-employment benefits (OPEB), and unavailable revenue related to property taxes. Unavailable revenue related to property taxes arises only under the modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Pooled Cash and Investments

The City's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

The City's investments, authorized under state statute, consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Earnings on pooled cash and investments are credited to each fund monthly based on the average daily balance of each participating fund.

Pooled cash and investments have 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 fund types consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

Deposits

The City requires refundable security deposits from property owners wishing to be annexed into the City and from utility customers. Upon service termination, the individual's respective deposit is applied to the amount owing with any remaining balance refunded to the customer.

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 unearned revenue in the combined balance sheet.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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. The remaining balance of taxes receivable is recorded as unavailable revenue because it is not deemed available to finance operations of the current period.

Prepays

Governmental fund expenditures for services/benefits extending over more than one accounting period are recorded as expense in the period in which the cash is paid. In the government-wide financial statements these expenditures are recorded as a current asset.

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, SOC 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:

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets Including Equipment Leased Under Capital Lease (continued)

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

Long-term Debt and Debt Issuance Costs

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 are recognized as expenses in the period incurred.

Vested Compensated Absences

Liabilities for vacation pay and compensated absences are recorded in the Statement of Net Position for proprietary funds when vested or earned by employees. Vacation pay and compensated absences are accrued as expenditures in the governmental funds when the amounts are expected to be liquidated with expendable available resources. Sick pay, which does not vest, is recognized in all funds when leave is taken.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-Employment Health Care Benefits

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (OPERS) – Retirement Health Insurance Account (RHIA). Contributions to OPERS RHIA are made on a current basis as required by the plan and are charged as expenses.

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 Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investments in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-spendable - Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by formal action.

Assigned - Includes items assigned for specific uses, authorized by the City Administrator and/or Finance Director.

Unassigned - This is the residual classification used for those balances not assigned to another category.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when expenditure is incurred for purposes for which both restricted and unrestricted net position is available. In addition, it is the City's policy to use committed and then assigned fund balance when an expenditure is incurred for purposes for which committed, assigned, and unrestricted fund balance classifications could be used.

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.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2018, the City implemented the following GASB Pronouncements:

GASB Statement No. 75, supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The principal objective of GASB 75 is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees (both active and inactive) are provided with postemployment benefits other than pensions.

GASB Statement No. 85, Omnibus 2017. Issued March 2017, this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, good will fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as good will and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contract at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 86, Certain Debt Extinguishment Issues. Issued May 2017, the purpose of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 80, Blending Requirements for Certain Component Units. Issued January 2016, this statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, Irrevocable Split-Interest Agreements. Issued March 2016, this statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Future Adoption of GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2018:

GASB Statement No. 83, Certain Asset Retirement Obligations. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). GASB 83 will be effective for the City, fiscal year ending June 30, 2019.

GASB Statement No. 84, Fiduciary Activities. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective for the City, fiscal year ending June 30, 2020.

GASB Statement No. 87, Leases. This Statement was Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for fiscal year ending June 30, 2021.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements, issued March 2018 to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 will be effective for the District for fiscal year ending June 30, 2019.

GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the District for fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority Equity Interests. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for the District for fiscal year ending June 30, 2020.

The City will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

Note 2 – Appropriation and Budgetary Controls

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriation for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by department in the General Fund, and by function (personal services, materials and services, capital outlay, debt service, transfers to other funds and contingency) in other funds.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 2 – Appropriation and Budgetary Controls (continued)

The City Council may, however, approve additional appropriations for unexpected additional resources or necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another. Such transfers must be authorized by official resolution or ordinance of the City Council. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

Transfers of contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Council. Budget amounts shown in the financial statements include the original budget, supplemental budgets, and budget transfers. All appropriations terminate on June 30th.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law). Budget amounts are as originally budgeted, or as amended by the City Council.

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.

During the fiscal year ended June 30, 2018, the City was in compliance with Local Budget Law, except as follows:

Excess of expenditures over appropriations

As noted in the financial statements, the City over-expended its appropriation authority in the Phoenix Urban Renewal Agency Debt Service Fund in payment for intergovernmental loan by \$24,400.

As noted in the financial statements, the City over-expended its appropriation authority in the Phoenix Urban Renewal Agency Bond Fund in materials and service by \$1,201, and debt service by \$2,470.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 3 – Restatements of Beginning Net Position and Fund Balance

Statement of Activities – Governmental Activities

During the fiscal year, the City incorporated the Phoenix Urban Renewal Agency (PhURA) under its governing oversight by dissolving the current PhURA Board and transferring authority to the City of Phoenix City Council Board. With this change, the PhURA is now reported within the City's financial statements as a blended component unit. Additionally, premium/discounts associated with the Full Faith and Credit Series 2015B and 2015C bonds were previously not recorded in the financial statements. The summary below denotes the additions to net position as a result of these changes.

Total Governmental Activities	
Beginning	\$ 6,743,525
Restatement Adjustment	<u>1,155,609</u>
Total Governmental Activities	
Beginning - as restated	<u>\$ 7,899,134</u>

Statements of Activities – Business-Type and Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund

During the fiscal year, the City identified an error within the Water Fund for an item that had not been included in the prior year's financial statements. The item was related to the premium/discount on bonded debt that had not been included. The summary below denotes the reduction in net position as a result of these changes.

Total Water Fund Net Position	
Beginning	\$ 3,051,994
Restatement Adjustment	<u>(81,372)</u>
Total Water Fund Net Position	
Beginning - as restated	<u>\$ 2,970,622</u>

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

During the fiscal year, the City incorporated the Phoenix Urban Renewal Agency (PhURA) under its governing oversight by dissolving the current PhURA Board and transferring authority to the City of Phoenix City Council Board. With this change, the PhURA is now reported within the City's financial statements as a blended component unit. This summary below denotes the additions to beginning fund balance as a result of these changes.

Phoenix Urban Renewal Agency Fund Balance	
Beginning	\$ -
Restatement Adjustment	<u>1,262,232</u>
Phoenix Urban Renewal Agency Fund Balance	
Beginning - as restated	<u>\$ 1,262,232</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 4 – Cash and Investments

The City maintains a cash management pool for its cash and investments in which each fund participates. Interest earnings are distributed based on average daily balances.

The City participates in the State of Oregon Local Investment Pool (LGIP or Pool) which is an open ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool.

These funds must be invested and managed, like that of a prudent investor, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The State of Oregon Local Government Investment Pool is not rated. Same day wire redemptions cannot exceed \$1.5 million and withdrawals in excess of \$25 million may require 48-hour notice.

The City's position in the pool at June 30, 2018 is stated at amortized cost which approximates fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance (currently limited to balances less than \$250,000), Oregon Revised Statute 295 requires a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. As of June 30, 2018, the City's deposits with various financial institutions exceeded the federal depository insurance limitation by \$476,152.

Pooled Deposits and Investments

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015.

State of Oregon statutes restrict the types of investments in which the City may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

The City has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2017-2018. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 4 – Cash and Investments (continued)

Pooled Deposits and Investments (continued)

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant 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 provisions 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 are stated at amortized cost, which approximated fair value.

As of June 30, 2018 and for the year then ended, the City was in compliance with the aforementioned State of Oregon statutes.

Credit Risk - State 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 papers, 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 investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments:	<u>Totals as of 6/30/2018</u>	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>	<u>Amortized Cost Not Measured at Fair Value</u>
Local Government					
Investment Pool	\$ 4,783,319	\$ -	\$ -	\$ -	\$ 4,783,319
Certificates of Deposit	<u>125,444</u>	<u>-</u>	<u>125,444</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,908,763</u>	<u>\$ -</u>	<u>\$ 125,444</u>	<u>\$ -</u>	<u>\$ 4,783,319</u>

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash and investments are reflected on the basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	<u>3,629,383</u>	<u>1,833,648</u>	<u>\$ 5,463,031</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 4 – Cash and Investments (continued)

Pooled Deposits and Investments (continued)

Cash and Investments are comprised of the following as of June 30, 2018:

Petty cash	\$ 300
Carrying amount of demand deposits	553,968
Carrying amount of investments	<u>4,908,763</u>
	<u>\$ 5,463,031</u>

Note 5 – Receivables

Governmental receivables are comprised of the following as of June 30, 2018:

	General Fund	Street Fund	PhURA Debt Service Fund	Tourist Usage Fund	Parks & Recreation SDC Fund	Total
Accounts Receivable:						
Citation fines and forfeitures	\$ 252,677	\$ -	\$ -	\$ -	\$ -	\$ 252,677
Property taxes	82,497	-	28,483	-	-	110,980
Intergovernmental	32,782	46,425	-	-	-	79,207
Other	42,099	17,801	-	2,206	964	63,070
	<u>\$ 410,055</u>	<u>\$ 64,226</u>	<u>\$ 28,483</u>	<u>\$ 2,206</u>	<u>\$ 964</u>	<u>\$ 505,934</u>

Business-type receivables are comprised of the following as of June 30, 2018:

	Water Fund
Accounts Receivable:	
Customer utility accounts	<u>\$ 148,585</u>
Total	<u>\$ 148,585</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 6 – Capital Assets

Changes in the Governmental capital assets for the year ended June 30, 2018 are as follows:

Governmental Activities	Balance June 30, 2017, as restated	Additions	Transfers/ Disposals	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,649,958	\$ 29,139	\$ -	\$ 1,679,097
Construction in Progress	1,844,824	2,861,454	(622,144)	4,084,134
 Total capital assets not being depreciated	 3,494,782	 2,890,593	 (622,144)	 5,763,231
Capital assets being depreciated:				
Buildings & Improvements	1,193,769	37,747	-	1,231,516
Machinery & Equipment	551,145	-	-	551,145
Infrastructure	3,468,026	-	622,144	4,090,170
 Total capital assets being depreciated	 5,212,940	 37,747	 622,144	 5,872,831
Less accumulated depreciation for:				
Buildings & Improvements	(675,689)	(49,772)	-	(725,461)
Machinery & Equipment	(325,917)	(23,884)	-	(349,801)
Infrastructure	(469,698)	(112,925)	-	(582,623)
 Total accumulated depreciation	 (1,471,304)	 (186,581)	 -	 (1,657,885)
 Total capital assets being depreciated, net	 3,741,636	 (148,834)	 622,144	 4,214,946
 Total capital assets governmental activities, net	 <u>\$ 7,236,418</u>	 <u>\$ 2,741,759</u>	 <u>\$ -</u>	 <u>\$ 9,978,177</u>

Depreciation expense for the year of \$186,581 was charged to non-departmental.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 6 – Capital Assets (continued)

Changes in the Business-type capital assets for the year ended June 30, 2018 are as follows:

Business-type Activities	Balance <u>June 30, 2017</u>	<u>Additions</u>	Transfers/ <u>Disposals</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 21,731	\$ -	\$ -	\$ 21,731
Construction in Progress	<u>-</u>	<u>160,677</u>	<u>-</u>	<u>160,677</u>
 Total capital assets not being depreciated	 <u>21,731</u>	 <u>160,677</u>	 <u>-</u>	 <u>182,408</u>
 Capital assets being depreciated:				
Buildings & Improvements	1,754,602	-	-	1,754,602
Machinery & Equipment	645,078	-	-	645,078
Infrastructure	<u>3,639,443</u>	<u>-</u>	<u>-</u>	<u>3,639,443</u>
 Total capital assets being depreciated	 <u>6,039,123</u>	 <u>-</u>	 <u>-</u>	 <u>6,039,123</u>
 Less accumulated depreciation for:				
Buildings & Improvements	(954,017)	(44,835)	-	(998,852)
Machinery & Equipment	(597,963)	(12,283)	-	(610,246)
Infrastructure	<u>(1,026,642)</u>	<u>(94,121)</u>	<u>-</u>	<u>(1,120,763)</u>
 Total accumulated depreciation	 <u>(2,578,622)</u>	 <u>(151,239)</u>	 <u>-</u>	 <u>(2,729,861)</u>
 Total capital assets being depreciated, net	 <u>3,460,501</u>	 <u>(151,239)</u>	 <u>-</u>	 <u>3,309,262</u>
 Total capital assets business-type activities, net	 <u>\$ 3,482,232</u>	 <u>\$ 9,438</u>	 <u>\$ -</u>	 <u>\$ 3,491,670</u>

Depreciation expense for the year of \$151,239 was charged to the Water Fund.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 7 – Interfund Transactions

Interfund transfers during the year ended June 30, 2018 were as follows:

	In	Out	
Governmental Activities:			
General Fund	\$ 492,848	\$ -	
Street Fund	-	342,848	
Street Improvement SDC Fund	-	150,000	
Total Transfers	\$ 492,848	\$ 492,848	

Transfers and Interfund balances are used to fund operations between funds. During the year the City made budgeted transfers from the General Fund to the Street and Street SDC Funds, to fund anticipated projects.

Note 8 – Accrued Compensated Absences

At June 30, 2018, the outstanding balance is comprised of accrued vacation and certain accrued sick time. On termination from employment, one-half of an employee's unused accrued sick leave will be converted to the Oregon Public Employees Retirement System (PERS), if eligible. At fiscal year end, the City had no employees eligible for this sick-leave benefit. Changes in accrued compensated absences for the year ended June 30, 2018, are as follows:

	Accrued June 30, 2017	Earned	Taken	Accrued June 30, 2018
Governmental Activities	\$ 59,269	\$ 54,160	\$ 42,112	\$ 71,317
Business-Type Activities	17,681	18,904	13,874	22,711
Total	\$ 76,950	\$ 73,064	\$ 55,986	\$ 94,028

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 9 – Long-Term Debt

Auto Leasing Specialists

During the 16-17 fiscal 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. Annual principal and interest 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 capital lease is as follows:

<u>Auto Leasing Specialists</u>			
Year	Principal	Interest	Total
2019	\$ 18,990	\$ 2,955	\$ 21,945
2020	<u>20,414</u>	<u>1,531</u>	<u>21,945</u>
Total	<u>\$ 39,404</u>	<u>\$ 4,486</u>	<u>\$ 43,890</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. The interest rate for the Series 2015B is 4.00%, and Series 2015C ranges between 1.85%-2.90.

Issuance costs of these two issuances totaled \$62,290 which was expensed during the fiscal period of 2015-16. Interest expense during the current year for the 2015B and 2015C was \$145,032 and \$15,601 respectively.

The combined debt schedules of the 2015B and 2015C bond issuances are as follows:

<u>Full Faith & Credit Bonds, Series 2015B and 2015C Combined</u>			
Year	Principal	Interest	Total
2019	\$ 125,000	\$ 109,980	\$ 234,980
2020	130,000	107,105	237,105
2021	135,000	103,790	238,790
2022	135,000	99,600	234,600
2023	140,000	94,200	234,200
2024-2028	800,000	381,800	1,181,800
2029-2033	970,000	208,400	1,178,400
2034-2038	<u>445,000</u>	<u>26,800</u>	<u>471,800</u>
Total	<u>\$2,880,000</u>	<u>\$1,131,675</u>	<u>\$4,011,675</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 9 – Long-Term Debt (continued)

Full Faith and Credit bonds - Series 2015B and 2015C (continued)

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

Full Faith & Credit Bonds, Series 2015B

Year	Principal	Interest	Total
2019	\$ -	\$ 100,600	\$ 100,600
2020	-	100,600	100,600
2021	25,000	100,600	125,600
2022	135,000	99,600	234,600
2023	140,000	94,200	234,200
2024-2028	800,000	381,800	1,181,800
2029-2033	970,000	208,400	1,178,400
2034-2038	<u>445,000</u>	<u>26,800</u>	<u>471,800</u>
Total	<u>\$2,515,000</u>	<u>\$ 1,112,600</u>	<u>\$3,627,600</u>

Full Faith & Credit Bonds, Series 2015C

Year	Principal	Interest	Total
2019	\$ 125,000	\$ 9,380	\$ 134,380
2020	130,000	6,505	136,505
2021	<u>110,000</u>	<u>3,190</u>	<u>113,190</u>
Total	<u>\$ 365,000</u>	<u>\$ 19,075</u>	<u>\$ 384,075</u>

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. This 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 refunding bonds amortization schedule as follows, as of June 30, 2018. Interest expense for 2018 was \$64,138.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 9 – Long-Term Debt (continued)

Refunding Bond – Series 2015 (continued)

<u>Refunding Bonds, Series 2015</u>			
Year	Principal	Interest	Total
2019	\$ 65,000	\$ 58,000	\$ 123,000
2020	65,000	56,700	121,700
2021	65,000	55,400	120,400
2022	70,000	53,700	123,700
2023	70,000	51,600	121,600
2024-2028	385,000	221,425	606,425
2029-2033	465,000	137,900	602,900
2034-2038	<u>450,000</u>	<u>37,000</u>	<u>487,000</u>
Total	<u>\$1,635,000</u>	<u>\$ 671,725</u>	<u>\$2,306,725</u>

Water Contract - Storage #1

On April 7, 1982 the City entered into a contract for a \$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. Interest expense for 2018 was \$7,635.

<u>Lost Creek Water Storage</u>			
Year	Principal	Interest	Total
2019	\$ 6,799	\$ 3,844	\$ 10,643
2020	7,020	3,623	10,643
2021	7,248	3,395	10,643
2022	7,484	3,159	10,643
2023	7,727	2,915	10,642
2024-2028	42,575	10,640	53,215
2029-2033	<u>39,254</u>	<u>3,317</u>	<u>42,571</u>
Total	<u>\$ 118,107</u>	<u>\$ 30,893</u>	<u>\$ 149,000</u>

Full Faith and Credit bonds - Series 2017

On November 17, 2017, the City issued \$1,560,000 of full faith and credit obligation bonds, Series 2017 to finance projects in the City's urban renewal area and to pay for costs of issuance of \$55,300. 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 2017 obligation under the terms of such obligations.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 9 – Long-Term Debt (continued)

Full Faith and Credit bonds - Series 2017 (continued)

Issuance costs of this issuance totaled \$55,300 which was expensed during the fiscal period of 2017-18. The interest rate of 2.890%, resulted in interest expense for 2018 of \$27,782.

<u>Full Faith & Credit Bonds, Series 2017</u>			
Year	Principal	Interest	Total
2019	\$ 85,645	\$ 43,258	\$ 128,904
2020	88,138	40,765	128,904
2021	90,704	38,200	128,904
2022	93,344	35,560	128,904
2023	96,061	32,842	128,904
2024-2028	523,913	120,605	644,518
2029-2033	<u>540,284</u>	<u>39,782</u>	<u>580,066</u>
Total	<u>\$1,518,090</u>	<u>\$ 351,012</u>	<u>\$1,869,103</u>

The following is a recap of the City's long-term debt obligations for the year ended June 30, 2018.

	Outstanding July 1, 2017 as restated	Issued	Matured and Redeemed	Outstanding June 30, 2018	Due Within One Year
Governmental Funds					
Auto Leasing Specialists	\$ 57,069	\$ -	\$ (17,665)	\$ 39,404	\$ 18,990
Full Faith & Credit Bonds, Series 2015B	2,515,000	-	-	2,515,000	-
Full Faith & Credit Bonds, Series 2015C	490,000	-	(125,000)	365,000	125,000
Full Faith & Credit Bonds, Series 2017	<u>-</u>	<u>1,560,000</u>	<u>(41,910)</u>	<u>1,518,090</u>	<u>85,645</u>
	3,062,069	1,560,000	(184,575)	4,437,494	229,635
Unamortized Premium/(Discount)	<u>198,129</u>	<u>-</u>	<u>(10,146)</u>	<u>187,983</u>	<u>10,146</u>
Total Governmental Funds	<u>3,260,198</u>	<u>1,560,000</u>	<u>(194,721)</u>	<u>4,625,477</u>	<u>239,781</u>
Business Type Activities					
Advanced Refunding Bonds-Series 2015	1,695,000	-	(60,000)	1,635,000	65,000
Lost Creek Water Storage	<u>124,691</u>	<u>-</u>	<u>(6,584)</u>	<u>118,107</u>	<u>6,799</u>
	1,819,691	-	(66,584)	1,753,107	71,799
Unamortized Premium/(Discount)	<u>81,372</u>	<u>-</u>	<u>(4,069)</u>	<u>77,303</u>	<u>4,069</u>
Total Business Type Activities	<u>1,901,063</u>	<u>-</u>	<u>(70,653)</u>	<u>1,830,410</u>	<u>75,868</u>
Total Long-Term Debt	<u>\$ 5,161,261</u>	<u>\$1,560,000</u>	<u>\$ (265,374)</u>	<u>\$ 6,455,887</u>	<u>\$ 315,649</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Post-Employment Benefits Other Than Pensions (OPEB)

Retirement Health Insurance Account (RHIA) –

Plan Description - As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700.

Funding Policy - Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The contribution rates in effect for the fiscal year ended June 30, 2018 for the OPEB program were: Tier1/Tier 2 – 0.50%, and OPSRP general service – 0.43%. The City contributed \$5,152 for the year ended June 30, 2018.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Actuarial Valuation -

The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in Note 9 Pension Plan (excluding the Actuarial Methods and Assumptions cost of living adjustment assumption, which has been removed, and a retiree healthcare participation assumption of 38% for healthy retirees and 20% for disabled retirees has been used). The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Post-Employment Benefits Other Than Pensions (OPEB) (continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB –

At June 30, 2018, the City reported \$3,923 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.00939976 percent.

For the year ended June 30, 2018, the City recognized a decrease of OPEB in expense of \$134. The decrease of OPEB expense was generated during the measurement period primarily as a result of more than anticipated investment returns at the OPERS level.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Net difference between projected and actual earnings on investments:	\$ -	\$ 1,817
Changes in proportionate share:	-	417
Contributions subsequent to measurement date	5,152	-
Total	\$ 5,152	\$ 2,234

\$5,152 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2018.

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

Year Ended June 30,	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2019	\$ (609)
2020	(609)
2021	(561)
2022	(455)
Thereafter	-
Total	\$ (2,234)

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Post-Employment Benefits Other Than Pensions (OPEB) (continued)

Sensitivity for the City's Proportionate Share of the Net OPEB Asset to Changes in Discount Rate—

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

City's Net Pension Asset/(Liability)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of net OPEB asset/(liability)	\$ (547)	\$ 3,923	\$ 7,725

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

Note 11 – Pension Plan

Plan Description

Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 23A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

Plan Benefits

All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 238 and 238A.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 11 – Pension Plan (continued)

Tier One/Tier Two Retirement Benefit (Chapter 238)

Pension Benefits - The OPERS 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 (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.

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. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan was closed to new members hired on or after August 29, 2003.

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

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

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% of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA is 2.0 percent for fiscal year 2016 and beyond.

OPSRP Pension Program (Chapter 238A)

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

Pension Benefits - 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:

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.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 11 – Pension Plan (continued)

OPSRP Pension Program (Chapter 238A) (continued)

A member of the 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. The surviving spouse or other person may elect to delay payment of the death benefit. Payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years of age.

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. As a result of the Moro Decision (Everice Moro et al v. State of Oregon et al), the cap on the COLA was restored to 2.0 percent for fiscal year 2016 and beyond.

Contributions

PERS' funding policy provides for periodic member and employer contributions at rates established by the Public Employees Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's third-party actuary.

The City's employer contributions for the year ended June 30, 2018 were \$84,453, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2018 for each pension program were: Tier1/Tier 2 - 12.7%, OPSRP general service – 5.23%.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Actuarial Valuation

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 11 – Pension Plan (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience study	2014, published September 23, 2015
Actuarial assumptions:	
Actuarial cost method	Entry age normal
Inflation rate	2.50 percent
Long-term expected rate of return ¹	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for the Defined 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.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 11 – Pension Plan (continued)

Assumed Asset Allocation

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00%
Debt securities	20.00%
Public equity	37.50%
Private equity	17.50%
Real estate	12.50%
Alternative equity	12.50%
Opportunity portfolio	0.00%
Total	<u>100.00%</u>

Investment Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return</u>
Core fixed income	8.00%	4.00%
Short-term bonds	8.00%	3.61%
Intermediate-term bonds	3.00%	5.42%
High yield bonds	1.00%	6.20%
Large/Mid cap US equities	15.75%	6.70%
Small Cap US equities	1.31%	6.99%
Micro 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 of funds - diversified	2.50%	4.64%
Hedge fund - event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.86%	4.58%
Total	<u>100.00%</u>	
Assumed inflation - mean		2.50%

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 11 – Pension Plan (continued)

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

At June 30, 2018, the City reported a net pension liability of \$1,435,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was approximately 0.01064887 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$200,871. Pension expense was generated during the measurement period as a result of less than anticipated investment returns and factors associated with the Moro Decision.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Difference between expected and actual experience:	\$ 69,420	\$ -
Changes in assumptions:	261,661	-
Net difference between projected and actual earnings on investments:	14,789	-
Changes in proportionate share:	114,573	34,372
Differences between employer contributions and employer's proportionate share of system contributions	-	117,452
Contributions subsequent to measurement date	84,453	-
Total	<u>\$ 544,896</u>	<u>\$ 151,824</u>

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 11 – Pension Plan (continued)

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ended June 30,	Deferred Outflow/Inflow of Resources (prior to post- measurement date)
2019	\$ 59,992
2020	177,883
2021	123,408
2022	(48,443)
2023	(4,220)
Thereafter	-
Total	\$ 308,620

Sensitivity for the City’s Proportionate Share of the Net Pension Liability to Changes in Discount Rate

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

City's Net Pension Asset/(Liability)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Defined Benefit Pension	\$ (2,446,306)	\$ (1,435,472)	\$ (590,227)

Defined Contribution Plan - Individual Account Program (IAP)

Pension Benefits. Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. 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.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 11 – Pension Plan (continued)

Defined Contribution Plan - Individual Account Program (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.

Contributions. During 2018, the City, as an employee benefit, paid the employees portion of the contribution. For 2018, the City paid \$69,228 for this contribution.

Note 12 – 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.

Note 13 – Risk Management

The City of Phoenix is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the City has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

Note 14 – Commitments and Contingencies

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 15 – Concentrations of Risk

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 16 – Current Vulnerability Due to Certain Concentrations

The City's operations are concentrated within Jackson County. In addition, substantially all the City's revenues, other than charges for services, for continuing operations are from federal, state, and local government agencies.

CITY OF PHOENIX
Notes to Basic Financial Statements
June 30, 2018

Note 17 – Tax Abatements

As of June 30, 2018, Jackson county provides tax abatements through five programs: Non-Profit Low Income Rental Housing, Enterprise Zone, Homebuyer Opportunity Limited Tax Exemption, Multiple-Unit Housing in Core Areas, and Residential Rehab Property.

For the fiscal year ended June 30, 2018, the City of Phoenix did not provide for any tax abatements under these programs.

Note 18 – Subsequent Events

Management of the City has evaluated events and transactions occurring after June 30, 2018 through December 31, 2018, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. Based on management's knowledge, there were no additional events and/or transactions that required recognition and disclosure in the financial statements, except the following.

Changes in OPERS Pension Plan Provisions

At its July 28, 2017 meeting, the OPERS Board lowered its effective "assumed rate" from 7.5% to 7.2% effective, January 1, 2018. The assumed rate is the rate of investment return (including inflation) that the OPERS Fund's regular account is expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

The lowered rate is expected to increase the OPERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the City's proportional share is estimated at \$212,977 to \$255,573.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PHOENIX
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
AND SCHEDULE OF THE CITY'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

City of Phoenix Proportionate Share of Net Pension Asset / (Liability)

	2018	2017	2016	2015
City of proportion of the net pension asset/(liability)	0.01064887%	0.01100000%	0.00500000%	0.00400000%
City's proportion of the net pension asset/(liability)	\$ (1,435,472)	\$ (1,674,829)	\$ (1,237,296)	\$ (815,813)
City's covered-employee payroll	\$ 1,132,253	\$ 1,130,229	\$ 1,170,114	\$ 1,170,903
City's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-126.78%	-148.18%	-105.74%	69.67%
Plan fiduciary net position as a percentage of the total pension liability	83.10%	80.52%	91.88%	103.59%

City of Phoenix Contributions

	2018	2017	2016	2015
Contractually required contributions	\$ 84,453	\$ 104,419	\$ 123,976	\$ 123,587
Contribution in relation to the contractually required	(84,453)	(104,419)	(119,841)	(123,587)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered - employee payroll	\$ 1,132,253	\$ 1,130,229	\$ 1,170,042	\$ 1,170,903
Contributions as a percentage of covered-employee payroll	7.46%	9.24%	10.60%	10.55%

Note to schedule:

A summary of assumption changes implemented since the December 31, 2014 valuation are outlined briefly below. A comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the system, which was published on September 23, 2015, and can be found at: <http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

Changes in Actuarial Method and Allocation Procedures:

General Service member weighting changed from 30% to 25% of proportional liability.

Changes in Economic Assumptions:

Inflation was lowered to 2.5%, and payroll growth was reduced from 3.75% to 3.5%. Investment return and interest crediting was reduced from 7.75% to 7.5%. With the implementation of GASB No. 67 and 68 this necessitated an explicit Tier 1/Tier 2 administrative expense assumption of \$33 million per year for December 31, 2014 and December 31, 2015. Health care cost inflation and implementation of the excise tax in 2018 was considered. Disability mortality tables were updated using the RP2000 generational tables, whereas RP2000 static tables were previously used. Rates for disability, retirement from active status, and termination were adjusted.

Changes in Salary Increase Assumptions:

Unused sick leave and vacation pay rates were adjusted. Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 45% to 38%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 68 during fiscal 2014, as a result, only four years of information is presented.

**CITY OF PHOENIX
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (RHIA)
ASSET/(LIABILITY) AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (RHIA)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

City of Phoenix Proportionate Share of Net OPEB (Liability) / Asset

	<u>2018</u>
City's proportion of the net OPEB RHIA asset/(liability)	0.00939976%
City's proportion of the net OPEB RHIA asset/(liability)	\$ 3,923
City's covered-employee payroll	\$ 1,132,253
City's proportionate share of the net OPEB RHIA asset/(liability) as a percentage of its covered-employee payroll	0.35%
Plan fiduciary net position as a percentage of the total pension liability	108.88%

City of Phoenix Contributions

	<u>2018</u>
Contractually required contributions	\$ 5,152
Contribution in relation to the contractually required	\$ (5,152)
Contributions deficiency (excess)	<u>\$ -</u>
City's covered - employee payroll	\$ 1,132,253
Contributions as a percentage of covered-employee payroll	0.46%

Note to schedule:

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The City adopted GASB 75 for RHIA during fiscal 2018, as a result, only one year of information is presented.

**CITY OF PHOENIX
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES:
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total General Fund</u>
REVENUES			
Taxes	\$ 1,200,413	\$ -	\$ 1,200,413
Charges for services	32,553	-	32,553
Licenses and permits	80,732	-	80,732
Earnings on investments	35,527	-	35,527
Intergovernmental	251,372	-	251,372
Franchise fees	318,872	-	318,872
Court	13,061	-	13,061
Fines and forfeitures	57,093	-	57,093
Miscellaneous	46,542	-	46,542
TOTAL REVENUES	<u>2,036,165</u>	<u>-</u>	<u>2,036,165</u>
EXPENDITURES			
Current:			
Executive	170,855	-	170,855
Administrative	121,386	-	121,386
Planning	122,690	-	122,690
Parks	138,847	-	138,847
Building	122,064	-	122,064
Police	1,158,122	-	1,158,122
Non-departmental	133,985	24,754	158,739
Capital outlay	-	57,221	57,221
TOTAL EXPENDITURES	<u>1,967,949</u>	<u>81,975</u>	<u>2,049,924</u>
OTHER FINANCING SOURCES (USES):			
Transfers In/(Out)	<u>(55,000)</u>	<u>547,848</u>	<u>492,848</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(55,000)</u>	<u>547,848</u>	<u>492,848</u>
NET CHANGE IN FUND BALANCE	13,216	465,873	479,089
FUND BALANCE - JULY 1, 2017	<u>1,002,540</u>	<u>709,745</u>	<u>1,712,285</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 1,015,756</u>	<u>\$ 1,175,618</u>	<u>\$ 2,191,374</u>

Note: A portion of the Capital Reserve Fund is allocated to the General Fund as reserve funds don't qualify as a fund type under GAAP.

**CITY OF PHEONIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Property taxes	\$ 1,045,200	\$ 1,045,200	\$ 1,066,829	\$ 21,629
Other taxes	14,500	14,500	133,584	119,084
Charges for services	33,420	33,420	32,553	(867)
Licenses and permits	78,850	78,850	80,732	1,882
Earnings on investments	12,000	12,000	35,527	23,527
Intergovernmental	133,192	133,192	251,372	118,180
Court	14,800	14,800	13,061	(1,739)
Franchise fees	305,900	305,900	318,872	12,972
Fines and forfeitures	253,920	253,920	57,093	(196,827)
Miscellaneous	9,465	9,465	46,542	37,077
TOTAL REVENUES	1,901,247	1,901,247	2,036,165	134,918
EXPENDITURES				
Current				
Executive	176,758	176,758	170,855	5,903
Administrative	125,154	125,154	121,386	3,768
Planning department	170,113	132,113	122,690	9,423
Parks maintenance	144,332	161,777	138,847	22,930
Building department	107,182	134,641	122,064	12,577
Police department	1,218,330	1,162,330	1,158,122	4,208
Non departmental	54,295	171,407	133,985	37,422
Contingency	280,000	211,984	-	211,984
TOTAL EXPENDITURES	2,276,164	2,276,164	1,967,949	308,215
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(70,000)	(70,000)	(55,000)	15,000
TOTAL OTHER FINANCING SOURCES (USES)	(70,000)	(70,000)	(55,000)	15,000
NET CHANGE IN FUND BALANCE	(444,917)	(444,917)	13,216	458,133
FUND BALANCE - JULY 1, 2017	1,020,029	1,020,029	1,002,540	(17,489)
FUND BALANCE - JUNE 30, 2018	\$ 575,112	\$ 575,112	\$ 1,015,756	\$ 440,644

**CITY OF PHEONIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Charges for service	\$ 234,220	\$ 234,220	\$ 251,026	\$ 16,806
Licenses and permit	-	-	405	405
Intergovernmental	371,500	371,500	417,406	45,906
Grants	17,500	17,500	-	(17,500)
Franchise fees	16,200	16,200	13,691	(2,509)
Earnings on investments	4,450	4,450	32,453	28,003
Miscellaneous	500	500	72	(428)
TOTAL REVENUES	644,370	644,370	715,053	70,683
EXPENDITURES				
Current:				
Highway and streets:				
Personal services	251,539	251,539	228,715	22,824
Materials and services	244,220	251,856	198,934	52,922
Contingency	100,000	92,364	-	92,364
TOTAL EXPENDITURES	595,759	595,759	427,649	168,110
OTHER FINANCING SOURCES (USES):				
Transfer out	(342,848)	(342,848)	(342,848)	-
TOTAL OTHER FINANCING SOURCES	(342,848)	(342,848)	(342,848)	-
NET CHANGE IN FUND BALANCE	(294,237)	(294,237)	(55,444)	238,793
FUND BALANCE - JULY 1, 2017	916,231	916,231	1,003,547	87,316
FUND BALANCE - JUNE 30, 2018	\$ 621,994	\$ 621,994	\$ 948,103	\$ 326,109

**CITY OF PHEONIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET SDC FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Charges for services	\$ 70,000	\$ 70,000	\$ 63,819	\$ (6,181)
Investment revenue	15	15	-	(15)
TOTAL REVENUES	70,015	70,015	63,819	(6,196)
EXPENDITURES				
Highways and streets: Capital outlay	165,000	165,000	-	165,000
TOTAL EXPENDITURES	165,000	165,000	-	165,000
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(150,000)	(150,000)	(150,000)	-
TOTAL OTHER FINANCING SOURCES	(150,000)	(150,000)	(150,000)	-
NET CHANGE IN FUND BALANCE	(244,985)	(244,985)	(86,181)	158,804
FUND BALANCE - JULY 1, 2017	488,320	488,320	158,492	(329,828)
FUND BALANCE - JUNE 30, 2018	\$ 243,335	\$ 243,335	\$ 72,311	\$ (171,024)

**CITY OF PHOENIX
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN WORKING CAPITAL:
PHOENIX URBAN RENEWAL AGENCY FUND
YEAR ENDED JUNE 30, 2018**

	<u>Phoenix Urban Renewal Agency Capital Fund</u>	<u>Phoenix Urban Renewal Agency Debt Fund</u>	<u>Total Phoenix Urban Renewal Agency Fund</u>
REVENUES			
Taxes	\$ -	\$ 375,222	\$ 375,222
Earnings on investments	-	7,877	7,877
Grants	47,075	-	47,075
Miscellaneous	20,502	-	20,502
TOTAL REVENUES	<u>67,577</u>	<u>383,099</u>	<u>450,676</u>
EXPENDITURES			
Current:			
Personal services	13,737	-	13,737
Materials and services	60,080	-	60,080
Capital Outlay	2,867,103	-	2,867,103
TOTAL EXPENDITURES	<u>2,940,920</u>	<u>-</u>	<u>2,940,920</u>
OTHER FINANCING SOURCES (USES):			
Transfers In/(Out)	126,000	(126,000)	-
Payment for intergovernmental loan	-	(302,937)	(302,937)
Debt proceeds, Series 2017	1,504,700	-	1,504,700
Debt proceeds, Series 2015B & 2015C	1,019,248	-	1,019,248
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,649,948</u>	<u>(428,937)</u>	<u>2,221,011</u>
NET CHANGE IN WORKING CAPITAL	(223,395)	(45,838)	(269,233)
WORKING CAPITAL - JULY 1, 2017	<u>47,112</u>	<u>574,512</u>	<u>621,624</u>
WORKING CAPITAL - JUNE 30, 2018	<u>\$ (176,283)</u>	<u>\$ 528,674</u>	<u>352,391</u>
Reconciliation to fund balance:			
Intergovernmental Liability			(234,392)
Ending fund balance June 30, 2018			<u>\$ 117,999</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN WORKING CAPITAL - BUDGET AND ACTUAL
PHOENIX URBAN RENEWAL AGENCY CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Grants	\$ 29,500	\$ 69,500	\$ 47,075	\$ (22,425)
Miscellaneous	-	-	20,502	20,502
TOTAL REVENUES	<u>29,500</u>	<u>69,500</u>	<u>67,577</u>	<u>(1,923)</u>
EXPENDITURES				
Current:				
Urban renewal agency:				
Personel services	47,000	47,000	13,737	33,263
Materials and services	89,000	89,000	60,080	28,920
Capital Outlay	2,480,660	3,035,360	2,867,103	168,257
TOTAL EXPENDITURES	<u>2,616,660</u>	<u>3,171,360</u>	<u>2,940,920</u>	<u>230,440</u>
OTHER FINANCING SOURCES				
Debt proceeds, Series 2017	990,000	1,504,700	1,504,700	-
Debt proceeds, Series 2015B & 2015C	1,019,248	1,019,248	1,019,248	-
Operating transfers in	95,000	95,000	126,000	31,000
TOTAL OTHER FINANCING SOURCES	<u>2,104,248</u>	<u>2,618,948</u>	<u>2,649,948</u>	<u>31,000</u>
NET CHANGE IN WORKING CAPITAL	(482,912)	(482,912)	(223,395)	259,517
WORKING CAPITAL - JULY 1, 2017	<u>518,542</u>	<u>518,542</u>	<u>47,112</u>	<u>(471,430)</u>
WORKING CAPITAL - JUNE 30, 2018	<u>\$ 35,630</u>	<u>\$ 35,630</u>	<u>\$ (176,283)</u>	<u>\$ (211,913)</u>

**CITY OF PHEONIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN WORKING CAPITAL - BUDGET AND ACTUAL
PHOENIX URBAN RENEWAL AGENCY DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Taxes	\$ 355,000	\$ 386,000	\$ 375,222	\$ (10,778)
Investment revenue	1,200	1,200	7,877	6,677
TOTAL REVENUES	<u>356,200</u>	<u>387,200</u>	<u>383,099</u>	<u>(4,101)</u>
OTHER FINANCING SOURCES (USES)				
Payment for intergovernmental loan	(278,537)	(278,537)	(302,937)	(24,400)
Transfers out	(95,000)	(126,000)	(126,000)	-
TOTAL OTHER FINANCING SOURCES	<u>(373,537)</u>	<u>(404,537)</u>	<u>(428,937)</u>	<u>(24,400)</u>
NET CHANGE IN WORKING CAPITAL	(17,337)	(17,337)	(45,838)	(28,501)
WORKING CAPITAL - JULY 1, 2017	<u>26,133</u>	<u>26,133</u>	<u>574,512</u>	<u>548,379</u>
WORKING CAPITAL - JUNE 30, 2018	<u>\$ 8,796</u>	<u>\$ 8,796</u>	<u>\$ 528,674</u>	<u>\$ 519,878</u>

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PHEONIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN WORKING CAPITAL - BUDGET AND ACTUAL
PHOENIX URBAN RENEWAL AGENCY BOND FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
EXPENDITURES				
Current:				
Materials and service	\$ -	\$ -	\$ 1,201	\$ (1,201)
Debt service	237,293	299,266	301,736	(2,470)
TOTAL EXPENDITURES	<u>237,293</u>	<u>299,266</u>	<u>302,937</u>	<u>(3,671)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	1,560,000	1,560,000	-
Scheduled debt service transfers, series 2015	237,293	299,266	302,937	3,671
Debt issuance costs	-	(55,300)	(55,300)	-
Intergovernmental loan, series 2017	-	(1,504,700)	(1,504,700)	-
Payment of intergovernmental loan, Series 2015B & C	(1,019,248)	(1,019,248)	(1,019,248)	-
TOTAL OTHER FINANCING SOURCES	<u>(781,955)</u>	<u>(719,982)</u>	<u>(716,311)</u>	<u>3,671</u>
NET CHANGE IN WORKING CAPITAL	<u>(1,019,248)</u>	<u>(1,019,248)</u>	<u>(1,019,248)</u>	<u>-</u>
WORKING CAPITAL - JULY 1, 2017, as restated	<u>1,019,248</u>	<u>1,019,248</u>	<u>1,019,342</u>	<u>(94)</u>
WORKING CAPITAL - JUNE 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ (94)</u>
Reconciliation to fund balance:				
Intergovernmental Receivable			234,392	
Ending fund balance June 30, 2018			<u>234,486</u>	

**CITY OF PHOENIX
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018**

	Advertising Promotion Fund	Tourist Usage Fund	Parks and Recreation SDC Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,958	\$ 9,734	\$ -	\$ 11,692
Charges for services	-	-	9,879	9,879
Miscellaneous	270	-	-	270
TOTAL REVENUES	<u>2,228</u>	<u>9,734</u>	<u>9,879</u>	<u>21,841</u>
EXPENDITURES				
Parks department	-	-	37,747	37,747
Non-departmental	6,789	10,610	-	17,399
TOTAL EXPENDITURES	<u>6,789</u>	<u>10,610</u>	<u>37,747</u>	<u>55,146</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(4,561)</u>	<u>(876)</u>	<u>(27,868)</u>	<u>(33,305)</u>
CHANGES IN FUND BALANCE	(4,561)	(876)	(27,868)	(33,305)
FUND BALANCE - JULY 1, 2017	<u>7,183</u>	<u>9,734</u>	<u>92,926</u>	<u>109,843</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 2,622</u>	<u>\$ 8,858</u>	<u>\$ 65,058</u>	<u>\$ 76,538</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ADVERTISING PROMOTION FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,000	\$ 2,000	\$ 1,958	\$ (42)
Miscellaneous	540	540	270	(270)
TOTAL REVENUES	<u>2,540</u>	<u>2,540</u>	<u>2,228</u>	<u>(312)</u>
EXPENDITURES				
Current				
Materials and services	7,000	7,000	6,789	211
TOTAL EXPENDITURES	<u>7,000</u>	<u>7,000</u>	<u>6,789</u>	<u>211</u>
NET CHANGE IN FUND BALANCE	(4,460)	(4,460)	(4,561)	(101)
FUND BALANCE - JULY 1, 2017	<u>6,134</u>	<u>6,134</u>	<u>7,183</u>	<u>1,049</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 1,674</u>	<u>\$ 1,674</u>	<u>\$ 2,622</u>	<u>\$ 948</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TOURIST USAGE FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Taxes	\$ 18,050	\$ 18,050	\$ 9,734	\$ (8,316)
TOTAL REVENUES	<u>18,050</u>	<u>18,050</u>	<u>9,734</u>	<u>(8,316)</u>
EXPENDITURES				
Material and services	<u>20,500</u>	<u>20,500</u>	<u>10,610</u>	<u>9,890</u>
TOTAL EXPENDITURES	<u>20,500</u>	<u>20,500</u>	<u>10,610</u>	<u>9,890</u>
NET CHANGE IN FUND BALANCE	(2,450)	(2,450)	(876)	1,574
FUND BALANCE - JULY 1, 2017	<u>7,712</u>	<u>7,712</u>	<u>9,734</u>	<u>2,022</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 5,262</u>	<u>\$ 5,262</u>	<u>\$ 8,858</u>	<u>\$ 3,596</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARKS AND RECREATION SDC FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Charges for service	\$ 5,000	\$ 5,000	\$ 9,879	\$ 4,879
Earnings on investment	10	10	-	(10)
TOTAL REVENUES	5,010	5,010	9,879	4,869
EXPENDITURES				
Parks Department:				
Capital outlay	80,000	80,000	37,747	42,253
TOTAL EXPENDITURES	80,000	80,000	37,747	42,253
NET CHANGE IN FUND BALANCE	(74,990)	(74,990)	(27,868)	47,122
FUND BALANCE- JULY 1, 2017	79,381	79,381	92,926	13,545
FUND BALANCE - JUNE 30, 2018	\$ 4,391	\$ 4,391	\$ 65,058	\$ 60,667

PROPRIETARY FUNDS

CITY OF PHOENIX
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN WORKING CAPITAL
 WATER FUND
 YEAR ENDED JUNE 30, 2018

	Water Fund	Capital Reserve Fund	Water SDC Fund	Stormwater SDC Fund	Total Water Fund
OPERATING REVENUES					
Charges for services	\$ 1,331,137	\$ -	\$ -	\$ -	\$ 1,331,137
System development charges	-	-	83,414	8,515	91,929
Franchise fees	27,615	-	-	-	27,615
Miscellaneous	6,077	-	-	-	6,077
TOTAL OPERATING REVENUES	<u>1,364,829</u>	<u>-</u>	<u>83,414</u>	<u>8,515</u>	<u>1,456,758</u>
OPERATING EXPENSES					
Current:					
Personal services	412,208	-	-	-	412,208
Materials and services	497,843	-	-	-	497,843
Capital outlay	-	201,360	-	-	201,360
TOTAL OPERATING EXPENSES	<u>910,051</u>	<u>201,360</u>	<u>-</u>	<u>-</u>	<u>1,111,411</u>
OPERATING INCOME (LOSS)	<u>454,778</u>	<u>(201,360)</u>	<u>83,414</u>	<u>8,515</u>	<u>345,347</u>
NONOPERATING REVENUES (EXPENSES)					
Interest expense	(129,878)	-	-	-	(129,878)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(129,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,878)</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES	<u>324,900</u>	<u>(201,360)</u>	<u>83,414</u>	<u>8,515</u>	<u>215,469</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	400,000	-	-	400,000
Transfers out	(274,275)	-	(125,725)	-	(400,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(274,275)</u>	<u>400,000</u>	<u>(125,725)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN WORKING CAPITAL	50,625	198,640	(42,311)	8,515	215,469
NET WORKING CAPITAL - JULY 1, 2017, as restated	<u>1,389,621</u>	<u>-</u>	<u>156,139</u>	<u>35,621</u>	<u>1,389,621</u>
NET WORKING CAPITAL - JUNE 30, 2018	<u>\$ 1,440,246</u>	<u>\$ 198,640</u>	<u>\$ 113,828</u>	<u>\$ 44,136</u>	<u>1,796,850</u>
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.					
Non-current asset					3,492,349
Deferred outflows					95,260
Accrued interest					(8,465)
Compensated absences					(22,711)
Long-term debt					(1,830,410)
Net pension liability					(248,603)
Deferred inflows					(26,681)
ENDING NET POSITION					<u>\$ 3,247,589</u>

Note: A portion of the Capital Reserve Fund is allocated to the Water Fund for GAAP reporting purposes.

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET WORKING CAPITAL - BUDGET AND ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Charges for services	\$ 1,271,735	\$ 1,271,735	\$ 1,331,137	\$ 59,402
Earnings on investments	72	72	-	(72)
Franchise fees	12,450	12,450	27,615	15,165
Miscellaneous	2,500	2,500	6,077	3,577
TOTAL REVENUES	1,286,757	1,286,757	1,364,829	78,072
EXPENDITURES				
Current				
Personal services	455,307	455,307	412,208	43,099
Materials and services	551,310	579,078	497,843	81,235
Debt service	129,893	129,893	129,878	15
Contingency	100,000	72,232	-	72,232
TOTAL EXPENDITURES	1,236,510	1,236,510	1,039,929	196,581
OTHER FINANCING SOURCES (USES):				
Transfers in	25,725	25,725	25,725	-
Transfers out	(300,000)	(300,000)	(300,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(274,275)	(274,275)	(274,275)	-
NET CHANGE IN WORKING CAPITAL	(224,028)	(224,028)	50,625	274,653
NET WORKING CAPITAL - JULY 1, 2017, as restated	-	-	1,389,621	1,389,621
NET WORKING CAPITAL - JUNE 30, 2018	\$ (224,028)	\$ (224,028)	1,440,246	\$ 1,664,274

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET WORKING CAPITAL - BUDGET AND ACTUAL
WATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
System development charges	\$ 34,975	\$ 34,975	\$ 83,414	\$ 48,439
Earnings on investments	25	25	-	(25)
TOTAL REVENUES	<u>35,000</u>	<u>35,000</u>	<u>83,414</u>	<u>48,414</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(125,725)	(125,725)	(125,725)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(125,725)</u>	<u>(125,725)</u>	<u>(125,725)</u>	<u>-</u>
NET CHANGE IN WORKING CAPITAL	(90,725)	(90,725)	(42,311)	48,414
NET WORKING CAPITAL - JULY 1, 2017	<u>145,748</u>	<u>145,748</u>	<u>156,139</u>	<u>10,391</u>
NET WORKING CAPITAL - JUNE 30, 2018	<u>\$ 55,023</u>	<u>\$ 55,023</u>	<u>\$ 113,828</u>	<u>\$ 58,805</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET WORKING CAPITAL - BUDGET AND ACTUAL
STORMWATER DEVELOPMENT CHARGES FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
System development charges	\$ 8,000	\$ 8,000	\$ 8,515	\$ 515
TOTAL REVENUES	<u>8,000</u>	<u>8,000</u>	<u>8,515</u>	<u>515</u>
NET CHANGE IN WORKING CAPITAL	8,000	8,000	8,515	515
NET WORKING CAPITAL - JULY 1, 2017	<u>25,862</u>	<u>25,862</u>	<u>35,621</u>	<u>9,759</u>
NET WORKING CAPITAL - JUNE 30, 2018	<u>\$ 33,862</u>	<u>\$ 33,862</u>	<u>\$ 44,136</u>	<u>\$ 10,274</u>

**CITY OF PHOENIX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
EXPENDITURES				
Current:				
Materials and services	\$ 150,000	\$ 150,000	\$ 24,754	\$ 125,246
Capital outlay	1,352,848	1,352,848	258,581	1,094,267
TOTAL EXPENDITURES	<u>1,502,848</u>	<u>1,502,848</u>	<u>283,335</u>	<u>1,219,513</u>
OTHER FINANCING SOURCES				
Operating transfers in	962,848	962,848	947,848	15,000
TOTAL OTHER FINANCING SOURCES	<u>962,848</u>	<u>962,848</u>	<u>947,848</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCE	(540,000)	(540,000)	664,513	1,204,513
FUND BALANCE - JULY 1, 2017	<u>1,215,135</u>	<u>1,215,135</u>	<u>709,745</u>	<u>505,390</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 675,135</u>	<u>\$ 675,135</u>	<u>\$ 1,374,258</u>	<u>\$ 699,123</u>

Note: A portion of the Capital Reserve Fund is allocated to the General Fund and the Water Fund for reporting purposes, as reserve funds don't qualify as a fund type under GAAP.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Council
City of Phoenix
Phoenix, Oregon

We have audited the basic financial statements of the City of Phoenix (the City) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 21, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under 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 under ORS Chapters 279A, 279B, 279C.

In connection with our audit, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-0000 through 162-10-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as reported in Note 2 of the financial statements.

OAR 162-10-0230 Internal Control

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

Restrictions on Use

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



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 21, 2018