

**CITY OF HALSEY
LINN COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



**12700 SW 72nd Ave.
Tigard, OR 97223**

**CITY OF HALSEY
LINN COUNTY, OREGON**

CASH BASIS FINANCIAL STATEMENTS

**WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF HALSEY
LINN COUNTY, OREGON

Mayor & City Council

June 30, 2017

<u>Name</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Marjean Cline	Mayor	December 31, 2018
Rella Johnson	Council President	December 31, 2020
Jerry Gillson	City Councilor	December 31, 2018
Jennifer Johnson	City Councilor	December 31, 2018
Eric Harless	City Councilor	December 31, 2018
Greg Chamberlain	City Councilor	December 31, 2020
Lee Skinner	City Councilor	December 31, 2020

All council members will receive mail at the following address:

City of Halsey
PO Box 10
Halsey, Oregon 97348

ADMINISTRATION

Hilary Norton, City Administrator

CITY OF HALSEY
LINN COUNTY, OREGON

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CITY OF HALSEY
LINN COUNTY, OREGON

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September 28, 2017

To the City Council
City of Halsey
Linn County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Halsey as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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 of 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 auditors' 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 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 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 previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Halsey, as of June 30, 2017, and the respective changes in cash basis financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, the City of Halsey prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified in respect to this matter.

Other Matters

Supplementary Information

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

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 28, 2017, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2017

The management of the City of Halsey, Oregon presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2017. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Please read it in conjunction with the City's financial statements which follow this section.

Financial Highlights

- The City followed the cash basis of accounting without any modifications for the year ending June 30, 2017.
- The City's cash and investment balances increased by \$216,277 which is 37% more than the prior year.
- At June 30, 2017, the City's governmental funds reported combined ending cash basis fund balances of \$605,937; an increase of \$91,462 in comparison to the prior year which totaled \$514,475. GASB 54 regulations establish these fund balances into the categories of Restricted, Committed, Assigned or Unassigned. The Restricted amount is listed as \$22,653 for Streets and \$142,083 for SDC'S for a total of \$164,736; the Committed amount totals \$109,838 which is listed as \$7,105 for Parks, \$57,776 for Streets and Pathways, \$42,608 for Stormwater Drainage, and \$2,349 for the Veterans Park; the Assigned amount is \$109,267 which is listed as \$101,703 for Streets and \$7,564 for Library; the Unassigned amount is \$222,096.

Overview of the Financial Statements

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

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's cash and investments, with the equity being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year.

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

The governmental activities of the City include the following:

- General Government
- Public Works
- Community Development

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

- Water Utility
- Sewer Utility

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

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

The City maintains nine individual governmental funds. Information is presented separately in the cash basis governmental fund balance sheet and in the cash basis governmental fund statement of receipts, disbursements, and changes in fund balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four major funds, the General, Street, City Park and Stormwater System Development Charge Funds. Data from four other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as other supplementary information in the form of combining statements on pages 28 and 26. The remaining governmental fund, which is the Capital Projects Reserve Fund, is combined with the General Fund for financial reporting.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General, Street Fund, City Park Fund, Library Fund, and the Stormwater System Development Charge Fund on pages 23 through 27. Budgetary comparisons for all other governmental funds have been provided as other supplementary information on page 30 through page 32.

The governmental fund financial statements can be found on page 5 and page 6 in the basic financial statements.

Proprietary funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water utility and sewer utility operations.

The enterprise funds for Water and Sewer are considered to be major funds of the City and are reported separately as proprietary fund financial statements in the basic financial statements. In addition, there are five non major enterprise funds reported separately which are Water System Development Fund, Water Reserve Fund, Bonded Debt Fund, Sewer System Development Fund, and Sewer Reserve Fund.

The Bonded Debt Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of enterprise funds.

The City also adopts an annual appropriated budget for all enterprise funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise funds as other supplementary information on page 33 through page 39. The enterprise fund financial statements can be found on page 7 and page 8 in the basic financial statements.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position was \$1,336,400 at the close of the most recent fiscal year. All of the City's net position represents its available cash and investment balances.

A portion of the City's net position (\$345,874) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$990,526) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's cash and investment balances increased by 15% and 17% for the Governmental Activities and Business-Type activities respectively. This is due, in part, to increased planning activity, increased tax revenue and the commitment to increase the City's Water and Sewer reserve funds.

COMPARATIVE STATEMENT OF NET POSITION

GOVERNMENTAL ACTIVITIES

	2017	2016	% Change
ASSETS			
Cash and Investments	\$ 605,937	\$ 514,475	18%
NET POSITION			
Restricted for Streets	22,653	71,732	-68%
Restricted for Capital Projects	142,083	132,201	8%
Unrestricted	441,201	310,542	42%
TOTAL NET POSITION	\$ 605,937	\$ 514,475	18%

BUSINESS-TYPE ACTIVITIES

	2,016	2,015	% Change
ASSETS			
Cash and Investments	\$ 730,463	\$ 605,648	21%
NET POSITION			
Restricted for Capital Projects	117,420	99,662	18%
Restricted for Debt Service	63,718	58,756	8%
Unrestricted	549,325	447,230	23%
TOTAL NET POSITION	\$ 730,463	\$ 605,648	21%

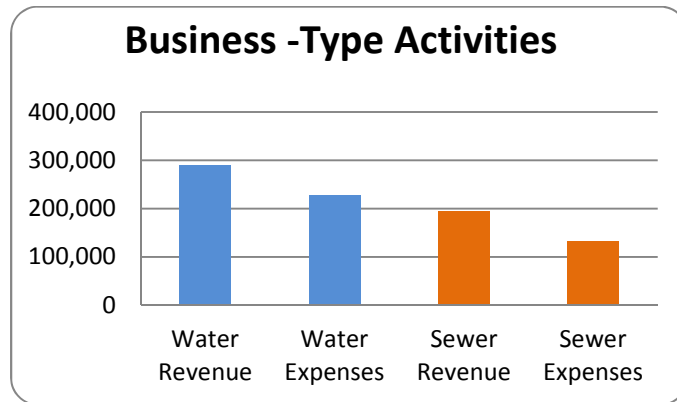
COMPARATIVE STATEMENT OF ACTIVITIES

	General Activities			Business Type Activities		
	2017	2016	% Change	2017	2016	% Change
RECEIPTS						
Charges for Services	63,518	28,796	120%	388,518	347,949	11%
Capital Grants and Contributions	1,050	3,295	-68%	16,615	4,629	259%
Property Taxes - General Purpose	288,768	275,671	5%			
Property Taxes - Debt Service				59,145	56,494	5%
Franchise Fees	40,444	38,531	5%			
Intergovernmental	80,447	74,684	8%			
Unrestricted Investment Earnings	6,488	5,565	17%	6,713	3,641	84%
Miscellaneous	18,899	10,797	75%	12,669	5,841	116%
Sale of Assets	-	-	0%			
Total Receipts	499,614	437,339	14%	483,660	418,554	15%
DISBURSEMENTS						
General Government	357,738	355,839	1%			
Community Development	12,697	12,896	-2%			
Public Works	37,717	34,502	9%			
Water				226,859	236,410	-4%
Sewer				131,986	136,058	-3%
Total Disbursements	408,152	403,237	1%	358,845	372,468	-4%
Change in Net Position	91,462	34,102	168%	124,815	46,086	170%
Beginning Cash Basis Net Position	514,475	480,373	7%	605,648	559,562	8%
Ending Cash Basis Net Position	605,937	514,475	17%	730,463	605,648	20%

Governmental activities. Governmental activities increased the City’s total net position by \$91,462 accounting for 42% of the growth in total net position. Primarily this is due to increased revenue from new building permits as well as small increases in property taxes, franchise fees and state shared revenues.

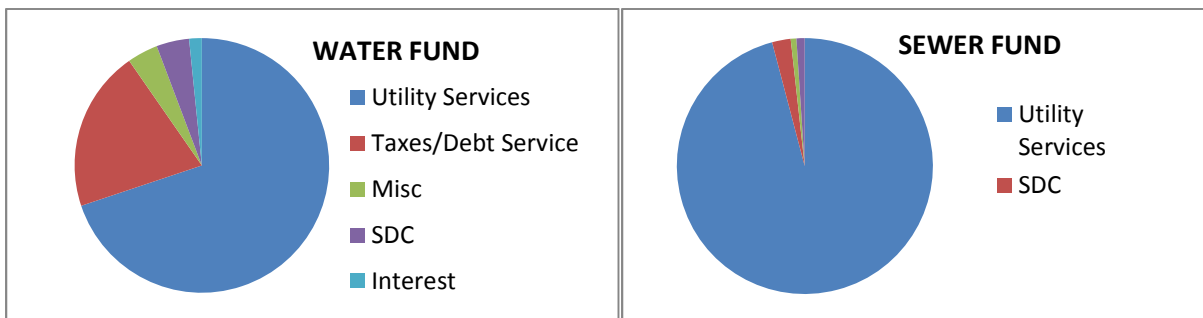
Business-type activities. Business-type activities increased the City’s net position by \$124,815, amounting to an approximate 58% increase in the total net position. This increase is largely due to an increase in revenue from System Development Charges from new building permits and a small increase in water & sewer rates.

The following chart compares the program revenues and expenses for the proprietary funds. Receipts exceeded disbursements for both funds. It is important to keep in mind that these funds must generate enough revenue to be self-supporting in the operation and maintenance of each of these facilities. With both systems continuing to age it is important to review the revenue sources for each of these funds during the budget process.



The following chart demonstrates most of the operating revenue for business-type activities in both the Water and Sewer Fund are generated by utility services at approximately 70% in the Water Fund and 96% in the Sewer Fund. Late charges collected and interest earned accounted for additional revenue in these funds as well as Taxes/Debt Service and Backflow Receivables in the Water Fund.

Business-Type Activities—Revenue by Source



Fund-based Financial Analysis

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$605,937, an 18% increase in comparison with the prior year. This money is available for spending at the government's discretion, subject to reporting fund-type limitations as listed below.

In March, 2010, the GASB issued Statement 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – non-spendable, restricted, committed, assigned, and unassigned. The amount in Restricted Fund Balance is \$164,736; Committed Fund Balance is \$109,838; Assigned Fund Balance is \$109,267; and Unassigned Fund Balance is \$222,096. The total Cash Basis Fund Balances were \$605,937.

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

Unrestricted net position and its percent to total net position of each proprietary fund are as follows:

- | | | |
|---------|-----------|-------|
| • Water | \$342,838 | (69%) |
| • Sewer | \$206,487 | (90%) |

General Fund Budgetary Highlights

The General Fund had a **\$48,201** increase in the budgetary ending fund balance from the prior fiscal year.

Capital Asset and Debt Administration

The City does not report Capital Assets or Long-Term Debt in the cash basis financial statements. Those items are disclosed, however, in the notes to the financial statements on pages 15, 16 and 21, 22 respectively.

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 was \$2,278,560 (net of accumulated depreciation). This investment in capital assets includes land, right-of-way, buildings and improvements, improvements other than buildings (such as parks and park improvements), equipment, and infrastructure (transportation, storm water, and wastewater). There was an approximate 3% decrease in the City's investment in capital assets resulting from depreciation.

Bonded Debt. At the end of the current fiscal year, the City had total long-term debt of \$753,228 which represents the total long-term bonded debt is for general obligation bonds that finance the water facility. Net revenues of the facility and expansion are pledged to the payment of the bonds, though the City Council has the authority to levy taxes sufficient to make scheduled debt payments.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the budget for the fiscal year 2017-2018:

- It was determined by the Council to increase utility rates in order to continue to build reserves for these facilities. The sewer rate was increased by \$1.00 per month while the water rate was increased by \$1.00 per month.
- Personnel costs reflect a 2% wage increase. Health benefits costs to the city remained decreased as the employees will transition to a new plan in January of 2018. PERS rates increased in the new biennium.
- In the General Fund/Materials and Services, planning revenue and expenditures were increased by approximately 50% to accommodate projected continued increases in planning activity
- The third and final payment of \$21,315 will be expended out of the Water Fund/Capital Outlay for repairs and maintenance on one of the two reservoirs.
- The Street Fund/Maintenance Repairs-Streets supports an expenditure of \$79,000 for infrastructure improvements.

Requests for Information

The financial report is designed to provide a general overview of the City's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Hilary Norton
City Administrator
City of Halsey
P. O. Box 10 Halsey, OR 97348

CITY OF HALSEY
LINN COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

CITY OF HALSEY
LINN COUNTY, OREGON

STATEMENT OF NET POSITION - CASH BASIS
June 30, 2017

	<u>GOVERNMENTAL</u>	<u>BUSINESS TYPE</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 605,937	\$ 730,463	\$ 1,336,400
Total Assets	<u>\$ 605,937</u>	<u>\$ 730,463</u>	<u>\$ 1,336,400</u>
NET POSITION			
Restricted for Streets	\$ 22,653	\$ -	\$ 22,653
Restricted for Capital Projects	142,083	117,420	259,503
Restricted for Debt Services	-	63,718	63,718
Unrestricted	<u>441,201</u>	<u>549,325</u>	<u>990,526</u>
TOTAL NET POSITION	<u>\$ 605,937</u>	<u>\$ 730,463</u>	<u>\$ 1,336,400</u>

See accompanying notes to the basic financial statements

**CITY OF HALSEY
LINN COUNTY, OREGON**

**STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2017**

Functions/Programs	Disbursements	Program Cash Receipts		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 350,687	\$ 50,109	\$ -	\$ -
Community Development	13,202	690	-	1,050
Public Works	44,263	11,577	-	54,828
Total Governmental Activities	<u>408,152</u>	<u>62,376</u>	<u>-</u>	<u>55,878</u>
Business-Type Activities				
Water	226,859	201,843	-	11,967
Sewer	131,986	186,675	-	4,648
Total Business-Type Activities	<u>358,845</u>	<u>388,518</u>	<u>-</u>	<u>16,615</u>
Totals	<u>\$ 766,997</u>	<u>\$ 450,894</u>	<u>\$ -</u>	<u>\$ 72,493</u>

General Receipts

- Taxes:
 - Property Taxes
 - Levied for General Purpose
 - Levied for Debt Services
 - Franchise Taxes
- Grants and Contributions not Restricted to specific programs
- Unrestricted Investment Earnings
- Miscellaneous
- Total General Receipts
- Change in Cash Basis Net Position
- Beginning Cash Basis Net Position
- Ending Cash Basis Net Position

See accompanying notes to the basic financial statements

Net Receipts (Disbursements) and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (300,578)	\$ -	\$ (300,578)
(11,462)	-	(11,462)
<u>22,142</u>	<u>-</u>	<u>22,142</u>
<u>(289,898)</u>	<u>-</u>	<u>(289,898)</u>
	(13,049)	(13,049)
	<u>59,337</u>	<u>59,337</u>
<u>-</u>	<u>46,288</u>	<u>46,288</u>
<u>(289,898)</u>	<u>46,288</u>	<u>(243,610)</u>
288,768	-	288,768
-	59,145	59,145
40,444	-	40,444
25,619	-	25,619
6,488	6,713	13,201
<u>20,041</u>	<u>12,669</u>	<u>32,710</u>
<u>381,360</u>	<u>78,527</u>	<u>459,887</u>
91,462	124,815	216,277
<u>514,475</u>	<u>605,648</u>	<u>1,120,123</u>
<u>\$ 605,937</u>	<u>\$ 730,463</u>	<u>\$ 1,336,400</u>

CITY OF HALSEY
LINN COUNTY, OREGON

BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2017

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>CITY PARK FUND</u>	<u>LIBRARY FUND</u>
ASSETS				
Cash and Investments	\$ 222,096	\$ 124,356	\$ 7,105	\$ 7,564
Total Assets	<u>\$ 222,096</u>	<u>\$ 124,356</u>	<u>\$ 7,105</u>	<u>\$ 7,564</u>
CASH BASIS FUND BALANCES				
Restricted for:				
Streets	\$ -	\$ 22,653	\$ -	\$ -
SDC's	-	-	-	-
Committed For:				
Parks	-	-	7,105	-
Streets and Pathways	-	-	-	-
Stormwater Drainage	-	-	-	-
Veterans Memorial Park	-	-	-	-
Assigned For:				
Streets	-	101,703	-	-
Library	-	-	-	7,564
Unassigned	<u>222,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Basis Fund Balances	<u>\$ 222,096</u>	<u>\$ 124,356</u>	<u>\$ 7,105</u>	<u>\$ 7,564</u>

See accompanying notes to the basic financial statements

STORMWATER SYSTEM DEVELOPMENT CHARGE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 142,083	\$ 102,733	\$ 605,937
<u>\$ 142,083</u>	<u>\$ 102,733</u>	<u>\$ 605,937</u>
\$ -	\$ -	\$ 22,653
142,083		142,083
-	-	7,105
-	57,776	57,776
-	42,608	42,608
-	2,349	2,349
-	-	101,703
-	-	7,564
<u>-</u>	<u>-</u>	<u>222,096</u>
<u>\$ 142,083</u>	<u>\$ 102,733</u>	<u>\$ 605,937</u>

CITY OF HALSEY
LINN COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>CITY PARK FUND</u>	<u>LIBRARY FUND</u>
Receipts				
Taxes	\$ 288,768	\$ -	\$ -	\$ -
Interest	2,658	1,042	109	123
Intergovernmental	25,619	54,828	-	-
Grants	-	-	-	1,050
Franchise Fees	40,444	-	-	-
Fees, Permits, and Rents	50,109	-	690	-
Fines	1,142	-	-	-
Miscellaneous	12,148	1,702	63	4,886
Total Receipts	<u>420,888</u>	<u>57,572</u>	<u>862</u>	<u>6,059</u>
Disbursements				
Current				
General Governmental	347,559	-	-	-
Community Development	-	-	-	12,697
Public Works	-	32,175	4,561	-
Capital Outlay	3,128	-	189	316
Total Disbursements	<u>350,687</u>	<u>32,175</u>	<u>4,750</u>	<u>13,013</u>
Excess of Receipts Over, (Under) Disbursements	70,201	25,397	(3,888)	(6,954)
Other Financing Sources, (Uses)				
Transfers In	-	10,000	2,000	7,000
Transfers Out	(22,000)	-	-	-
Total Other Financing Sources, (Uses)	<u>(22,000)</u>	<u>10,000</u>	<u>2,000</u>	<u>7,000</u>
Net Change in Cash Basis Fund Balances	48,201	35,397	(1,888)	46
Beginning Cash Basis Fund Balances	<u>173,895</u>	<u>88,959</u>	<u>8,993</u>	<u>7,518</u>
Ending Cash Basis Fund Balances	<u>\$ 222,096</u>	<u>\$ 124,356</u>	<u>\$ 7,105</u>	<u>\$ 7,564</u>

See accompanying notes to the basic financial statements

STORMWATER SYSTEM DEVELOPMENT CHARGE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ -	\$ 288,768
1,463	1,093	6,488
-	-	80,447
-	-	1,050
-	-	40,444
8,419	3,158	62,376
-	-	1,142
-	100	18,899
<u>9,882</u>	<u>4,351</u>	<u>499,614</u>
-	-	347,559
-	-	12,697
-	981	37,717
-	6,546	10,179
<u>-</u>	<u>7,527</u>	<u>408,152</u>
9,882	(3,176)	91,462
-	3,000	22,000
-	-	(22,000)
<u>-</u>	<u>3,000</u>	<u>-</u>
9,882	(176)	91,462
<u>132,201</u>	<u>102,909</u>	<u>514,475</u>
<u>\$ 142,083</u>	<u>\$ 102,733</u>	<u>\$ 605,937</u>

CITY OF HALSEY
LINN COUNTY, OREGON

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
June 30, 2017

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 499,832	\$ 230,631	\$ 730,463
Total Assets	<u>\$ 499,832</u>	<u>\$ 230,631</u>	<u>\$ 730,463</u>
NET POSITION			
Restricted for Capital Projects	\$ 93,276	\$ 24,144	\$ 117,420
Restricted for Debt Services	63,718	-	63,718
Unrestricted	<u>342,838</u>	<u>206,487</u>	<u>549,325</u>
Total Net Position	<u>\$ 499,832</u>	<u>\$ 230,631</u>	<u>\$ 730,463</u>

See accompanying notes to the basic financial statements

**CITY OF HALSEY
LINN COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017**

	WATER FUND	SEWER FUND	TOTAL
Operating Receipts			
Charges for Services	\$ 201,843	\$ 186,675	\$ 388,518
Miscellaneous	11,330	1,339	12,669
Total Operating Receipts	<u>213,173</u>	<u>188,014</u>	<u>401,187</u>
Operating Disbursements			
Personal Services	94,954	84,782	179,736
Materials and Services	51,423	47,204	98,627
Total Operating Disbursements	<u>146,377</u>	<u>131,986</u>	<u>278,363</u>
Operating Income (Loss)	66,796	56,028	122,824
Non-Operating Receipts (Disbursements)			
Property Taxes	59,145	-	59,145
System Development Fees	11,967	4,648	16,615
Interest	4,655	2,058	6,713
Capital Outlay	(25,938)	-	(25,938)
Debt Service	(54,544)	-	(54,544)
Total Non-Operating Receipts (Disbursements)	<u>(4,715)</u>	<u>6,706</u>	<u>1,991</u>
Net Change in Cash Basis Net Position	62,081	62,734	124,815
Beginning Cash Basis Net Position	<u>437,751</u>	<u>167,897</u>	<u>605,648</u>
Ending Cash Basis Net Position	<u>\$ 499,832</u>	<u>\$ 230,631</u>	<u>\$ 730,463</u>

See accompanying notes to the basic financial statements

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with the cash basis of accounting as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the city's accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The City of Halsey operates under a City Charter. The Charter provides for the City to be governed by the City Council, consisting of elected at-large City Councilors and an elected Mayor. The Council is responsible for rule making, budget preparation and enforcement, expenditure approval, and hiring the City Administrator/Recorder. The Mayor and the Councilors are elected by a vote of the general public and serve two-year terms for Mayor or four-year terms for Councilors. Administrative functions are delegated to the City Administrator, whom the Mayor appoints, with the consent of the Council. The Mayor, with the consent of the Council, also appoints other City Officers as listed in the Charter, while the City Administrator appoints all employees.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. 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 of Halsey has no component units.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial operations of the City are accounted for in the following major funds:

GENERAL FUND

The General Fund is the primary operating fund of the City. This fund is used to track revenues and expenditures that support Administration, Parks Maintenance, Planning, Police, and Municipal Court. Principal sources of resource are property taxes, Franchise fees from utilities using the City right of way, intergovernmental taxes such as cigarette and alcohol taxes collected by the state, and fines and bails assessed by the Halsey Municipal Court.

STREET FUND

The Street Fund accounts for the construction and maintenance of the City's streets. Primary sources of revenue are the State's gas tax and grants.

CITY PARK FUND

The City Park Fund accounts for the construction and maintenance of the City's park. Primary sources of revenues are from donations and interest earned.

STORMWATER SDC FUND

The Stormwater SDC Fund is used to document revenues received from SDC's and expended for upgrades to the utility system.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

LIBRARY FUND

The Library Fund accounts for the operation of the City's library.

SEWER FUND

The Sewer Fund is used to document revenues and expenditures for maintenance, operation, and debt service of the City's sanitary sewer system. The primary revenue source will be "user fees" paid by customers of the utility.

WATER FUND

The Water Fund is used to document revenues and expenditures for maintenance and operation of the City's water utility system. The primary revenue source is "user fees" paid by customers of the water utility for water consumed

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The City follows the cash basis of accounting. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. This basis of accounting is applied to both the government-wide financial statements, and the governmental and business type fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets is capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the cash basis of accounting is preferable for the City due to the City's small size and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Oregon Local Budget Law.

The cash basis proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for the enterprise fund includes the cost of sales and services, administrative disbursements, and capital outlay. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

D. FUND EQUITY

In March 2011, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. No portion of the City's fund balance is classified as nonspendable.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. This authority has been given to the City Administrator/City Recorder.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The City has adopted the principles of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), as they are applicable to cash basis financial statements. The Statement requires that the City present both government-wide and fund financial statements, and reconcile the two types of statements, if necessary.

The government-wide financial reports information on the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS (CONTINUED)

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

F. BUDGET

A budget is prepared and legally adopted for each fund on cash basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. The City begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30th.

Expenditures budgets are appropriated at the function level in the General Fund and the following levels for all other funds: Personal Services, Materials and Services, Capital Outlay, Interfund Transactions, Debt Service, and Operating Contingency. Expenditures cannot legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original appropriations and one appropriations transfer. Expenditures of the various funds were within authorized appropriation levels.

G. PROPERTY TAXES RECEIVABLE

Property taxes receivable are not recorded in the financial statements, but are presented as supplementary information to indicate the amount of uncollected taxes that the City can expect to receive in the future. Real and personal property are assessed and property taxes become a lien against the property as of July 1 of each year. Property taxes are payable in three installments, following the lien date on November 15, February 15, and May 15. Taxes not received by May 15th are considered delinquent. As required by law, Linn County manages tax collections for the City. Substantially all taxes receivable are considered collectible through liens on the underlying property.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

H. CAPITAL ASSETS

Capital assets are not recorded in the financial statements, but are disclosed for informational purposes. Assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Land Improvements	20 to 50 years
Infrastructure (Including Proprietary Plant and Lines)	20 to 50 years
Equipment and vehicles	5 to 20 years

I. LONG-TERM DEBT

Although the cash basis of accounting does not require that debt be displayed, the City believes that presentation of this information is important. Accordingly, the details of debt are presented in these notes to the financial statements.

J. RETIREMENT PLANS

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

K. COMPENSATED ABSENCES

The City has a policy which permits employees to accumulate vacation and compensation time at a rate determined by length of employment up to a maximum of 200 and 40 hours, respectively. Employees can also accrue unused sick time up to 80 hours. Any payout on sick time is required to be taken in December, and the rate is one half of the employees' hourly rate.

L. RETIREMENT PLANS

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of 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 payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

2. CASH AND INVESTMENTS

State statutes govern the City's cash management policies. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool. The proprietary funds' statement of cash flows includes all cash and short-term investments described above.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Investments

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2017. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value, and since the entity uses the cash basis of accounting. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due to/from Other Funds. Cash and Investments (recorded at fair value) consisted of:

	2017
Petty Cash	\$ 400
Demand Deposits	49,521
Investments	1,286,478
Total	\$ 1,336,400

Reported In:

Governmental	\$ 605,937
Business Type	730,463
	\$ 1,336,400

The City had the following investment and maturities:

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 1,286,478	\$ 1,286,478	
Total	\$ 1,286,478	\$ 1,286,478	\$ -

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City does not have any investments that have a maturity date.

Credit Risk

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

Concentration of Credit/Deposit Risk

At year-end, the City's net carrying amount of deposits was \$49,521 and the bank balance was \$54,245. All deposits were covered by federal depository insurance. Oregon Revised Statutes and City policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2017 are as follows:

Governmental Activities

	Balances at July 1, 2016	Additions	Deletions	Balances at June 30, 2017
Non Depreciable:				
Land	\$ 6,675	\$ -	\$ -	\$ 6,675
Depreciable:				
Buildings	674,647	-	-	674,647
Infrastructure	203,495	-	-	203,495
Machinery & Equipment	155,739	-	10,633	145,106
Total	1,033,881	-	10,633	1,023,248
Accumulated Depreciation				
Buildings	70,735	14,626	-	85,361
Infrastructure	40,797	5,402	-	46,199
Machinery & Equipment	137,151	5,614	-	142,765
	248,683	25,642	-	274,325
Net Governmental Capital Assets	\$ 791,873			\$ 755,598

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	Balance			Balance
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Land Improvements	\$ 635,037	\$ -	\$ -	\$ 635,037
Plant & Lines	3,096,445	21,315	-	3,117,760
Machinery & Equipment	105,635			105,635
Total	<u>3,837,117</u>	<u>21,315</u>	<u>-</u>	<u>3,858,432</u>
Accumulated Depreciation:				
Land Improvements	633,896	67	-	633,963
Plant & Lines	1,629,283	61,943	-	1,691,226
Machinery & Equipment	87,251	1,251	-	88,502
Total	<u>2,350,430</u>	<u>63,261</u>	<u>-</u>	<u>2,413,691</u>
Net Business Type Capital Assets	<u>\$ 1,486,687</u>			<u>\$ 1,444,741</u>

4. PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employee defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

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

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238)**. The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **Pension Benefits**. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
- ii. **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 on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disable from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv. **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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **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:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the 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.
 - ii. **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.
 - iii. **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.
 - iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were \$3,793, excluding amounts to fund employer specific liabilities.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

Since the City's financial statements are reported on the cash basis, no amounts are reported on the balance sheet for pension related assets, deferred outflows, liabilities or deferred inflows. Had the City's financial statements been reported in accordance with GAAP, it would have reported a net pension liability of \$292,287 at June 30, 2017 for its proportionate share of the net pension asset. The pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 December 31, 2016, the City's proportion was .002 percent.

Since the City's financial statements are reported on the cash basis, no amounts are reported on the balance sheet for pension related assets, deferred outflows, liabilities or deferred inflows. Had the City's financial statements been reported in accordance with GAAP, it would have reported a net pension liability of \$292,287 at June 30, 2017 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 December 31, 2014, the City's proportion was .002 percent.

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 8, 2017. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/PERS/Documents/Financials/CAFR/2016-CAFR.pdf>

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

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

Actuarial valuations of an ongoing plan involve estimates of 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 method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

**CITY OF HALSEY
LINN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2014 rolled forward to June 30, 2016 measurement date
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.5 percent (reduced from 2.75 percent)
Investment rate of return	7.5 percent (reduced from 7.75 percent)
Projected salary increase	3.5 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.5 percent)
Cost of Living Adjustment	Blend of 2.0 percent COLA and graded COLA (1.25/0.15 percent) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of 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 method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

Source: June 30, 2014 PERS CAFR; p. 54 – 55

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the 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 HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

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

	Decrease (6.50%)	Rate (7.50%)	Increase (8.50%)
City's proportionate share of the net pension liability	\$ 471,946	\$ 292,287	\$ 142,123

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan that is invested in the IAP. The District makes this contribution on behalf of its employees.

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

6. INTERFUND TRANSFERS

Interfund Transfers were done to finance operations between funds.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 22,000
Streets	10,000	-
Library	7,000	-
Other Governmental	3,000	-
City Parks	2,000	-
	<u>22,000</u>	<u>22,000</u>
Total	<u>\$ 22,000</u>	<u>\$ 22,000</u>

7. LONG-TERM DEBT

The changes in long-term debt for the year ended June 30, 2017 is comprised of the following:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	
				<u>Total</u>	<u>Due within one year</u>
\$968,800 was issued in 2001 of Governmental Obligation Bonds, which bear an interest rate of 4.75%. The bonds mature in 2040.	\$ 771,143	\$ -	\$ 17,915	\$753,228	\$ 18,766
Total Long-term Debt	<u>\$ 771,143</u>	<u>\$ -</u>	<u>\$ 17,915</u>	<u>\$753,228</u>	<u>\$ 18,766</u>

Future Payments - Business Type Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017-2018	18,766	35,778
2018-2019	19,657	34,887
2019-2020	20,591	33,953
2020-2021	21,569	32,975
2021-2026	124,218	148,502
2026-2031	156,661	116,059
2031-2036	197,575	75,145
2036-2040	194,191	23,985
	<u>\$ 753,228</u>	<u>\$ 501,284</u>

CITY OF HALSEY
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is 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 State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

CITY OF HALSEY
LINN COUNTY, OREGON

SUPPLEMENTARY INFORMATION

**Combining, Individual Fund, and
Other Financial Schedules**

CITY OF HALSEY
LINN COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>TO FINAL BUDGET POSITIVE/(NEGATIVE)</u>
Receipts				
Taxes, Current	\$ 262,000	\$ 262,000	\$ 280,443	\$ 18,443
Taxes, Prior	9,500	9,500	8,325	(1,175)
Interest	725	725	2,658	1,933
Intergovernmental				
State Revenue Sharing	7,000	7,000	10,407	3,407
State Liquor/Cigarette Tax	14,500	14,500	15,212	712
Franchise Fees				
Northwest Natural Gas	9,000	9,000	7,975	(1,025)
Pacific Power	24,500	24,500	27,899	3,399
Telephone	1,000	1,000	1,570	570
Zayo	3,000	3,000	3,000	-
Fees, Permits, and Rent				
Building Permit Fees	6,000	6,000	29,986	23,986
Planning and Land use Fees	500	500	4,825	4,325
AT&T Tower Lease	12,000	12,000	15,298	3,298
Fines	1,500	1,500	1,142	(358)
Grants	1,000	1,000	-	(1,000)
Miscellaneous	6,725	6,725	12,148	5,423
Total Receipts	<u>358,950</u>	<u>358,950</u>	<u>420,888</u>	<u>61,938</u>
Disbursements				
Personal Services	170,435	170,435 (1)	137,759	32,676
Materials and Services	156,226	156,226 (2)	147,150	9,076
Law Enforcement	62,650	62,650 (2)	62,650	-
Capital Outlay	20,500	20,500 (1)	3,128	17,372
Contingency	10,000	10,000 (1)	-	10,000
Total Disbursements	<u>419,811</u>	<u>419,811</u>	<u>350,687</u>	<u>69,124</u>
Excess of Receipts Over, (Under) Disbursements	(60,861)	(60,861)	70,201	131,062
Other Financing Sources, (Uses)				
Transfers Out	(22,000)	(22,000) (1)	(22,000)	-
Total Other Financing Sources, (Uses)	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(82,861)	(82,861)	48,201	131,062
Beginning Cash Basis Fund Balance	157,000	157,000	173,895	16,895
Ending Cash Basis Fund Balance	<u>\$ 74,139</u>	<u>\$ 74,139</u>	<u>\$ 222,096</u>	<u>\$ 147,957</u>

(1) Appropriation Level

(2) Materials and Services and Law Enforcement Appropriations are combined in budget resolution

CITY OF HALSEY
LINN COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>STREET FUND</u>				
Receipts				
Interest	\$ 200	\$ 200	\$ 1,042	\$ (200)
Intergovernmental				
State Highway Allocation	52,400	52,400	54,828	2,428
Grants	50,000	50,000	-	(50,000)
Miscellaneous	1,100	1,100	1,702	602
Total Receipts	<u>103,700</u>	<u>103,700</u>	<u>57,572</u>	<u>(46,128)</u>
Disbursements				
Personal Services	29,900	29,900 (1)	23,739	6,161
Materials and Services	55,000	55,000 (1)	8,436	46,564
Capital Outlay	65,000	65,000 (1)	-	65,000
Contingency	15,500	15,500 (1)	-	15,500
Total Disbursements	<u>165,400</u>	<u>165,400</u>	<u>32,175</u>	<u>133,225</u>
Excess of Receipts Over (Under) Disbursements	(61,700)	(61,700)	25,397	87,097
OTHER FINANCING SOURCES				
Transfers In	10,000	10,000	10,000	-
Net Change in Cash Basis Fund Balance	(51,700)	(51,700)	35,397	87,097
Beginning Cash Basis Fund Balance	77,000	77,000	88,959	11,959
Ending Cash Basis Fund Balance	<u>\$ 25,300</u>	<u>\$ 25,300</u>	<u>\$ 124,356</u>	<u>\$ 99,056</u>

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

<u>CITY PARK FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Receipts				
Interest	\$ 50	\$ 50	\$ 109	\$ 59
Fees	660	660	690	30
Donations	-	-	20	20
Miscellaneous Income	-	-	43	43
	<u>710</u>	<u>710</u>	<u>862</u>	<u>152</u>
Total Receipts				
Disbursements				
Materials and Services	6,770	6,770 (1)	4,561	2,209
Capital Outlay	3,440	3,440 (1)	189	3,251
Contingency	3,000	3,000 (1)	-	3,000
	<u>13,210</u>	<u>13,210</u>	<u>4,750</u>	<u>8,460</u>
Total Disbursements				
Excess of Receipts Over (Under) Disbursements	(12,500)	(12,500)	(3,888)	8,612
OTHER FINANCING SOURCES				
Transfers In	2,000	2,000	2,000	-
Net Change in Cash Basis Fund Balance	(10,500)	(10,500)	(1,888)	8,612
Beginning Cash Basis Fund Balance	10,500	10,500	8,993	(1,507)
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,105</u>	<u>\$ 7,105</u>

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<u>LIBRARY FUND</u>				
Receipts				
Interest	\$ 50	\$ 50	\$ 123	\$ 73
Grants	2,500	2,500	1,050	(1,450)
Miscellaneous	6,480	6,480	4,886	(1,594)
Total Receipts	<u>9,030</u>	<u>9,030</u>	<u>6,059</u>	<u>(2,971)</u>
Disbursements				
Personnel Services	9,420	9,420 (1)	8,215	1,205
Materials and Services	9,110	9,110 (1)	4,482	4,628
Capital Outlay	2,500	2,500 (1)	316	2,184
Contingency	2,000	2,000 (1)	-	2,000
Total Disbursements	<u>23,030</u>	<u>23,030</u>	<u>13,013</u>	<u>10,017</u>
Excess of Receipts Over (Under) Disbursements	(14,000)	(14,000)	(6,954)	7,046
OTHER FINANCING SOURCES				
Transfers In	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(7,000)	(7,000)	46	7,046
Beginning Cash Basis Fund Balance	<u>7,500</u>	<u>7,500</u>	<u>7,518</u>	<u>18</u>
Ending Cash Basis Fund Balance	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 7,564</u>	<u>\$ 7,064</u>

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

SPECIAL REVENUES - STORMWATER SYSTEM DEVELOPMENT CHARGE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Interest	\$ 1,000	\$ 1,000	\$ 1,463	\$ 463
System Development Fees	1,000	1,000	8,419	7,419
Total Receipts	2,000	2,000	9,882	7,882
Disbursements				
Capital Outlay	10,000	10,000 (1)	-	10,000
Contingency	20,000	20,000 (1)	-	20,000
Total Disbursements	30,000	30,000	-	30,000
Net Change in Cash Basis Fund Balance	(28,000)	(28,000)	9,882	37,882
Beginning Cash Basis Fund Balance	131,000	131,000	132,201	1,201
Ending Cash Basis Fund Balance	\$ 103,000	\$ 103,000	\$ 142,083	\$ 39,083

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

COMBINING BALANCE SHEET - ALL NON MAJOR GOVERNMENTAL FUNDS - CASH BASIS

June 30, 2017

	SPECIAL REVENUE FUNDS			
	STREET AND PATHWAY FUND	STORMWATER DRAINAGE FUND	VETERANS MEMORIAL PARK FUND	TOTAL
ASSETS				
Cash and Investments	\$ 57,776	\$ 42,608	\$ 2,349	\$ 102,733
Total Assets	\$ 57,776	\$ 42,608	\$ 2,349	\$ 102,733
FUND BALANCE				
Committed	57,776	42,608	2,349	102,733
Total Cash Basis Fund Balances	\$ 57,776	\$ 42,608	\$ 2,349	\$ 102,733

**CITY OF HALSEY
LINN COUNTY, OREGON**

**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ALL NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	SPECIAL REVENUE FUNDS			TOTAL
	STREET AND PATHWAY FUND	STORMWATER DRAINAGE FUND	VETERANS MEMORIAL PARK FUND	
Receipts				
Interest	\$ 615	\$ 418	\$ 60	\$ 1,093
Fees	-	3,158	-	3,158
Miscellaneous	-	-	100	100
Total Receipts	<u>615</u>	<u>3,576</u>	<u>160</u>	<u>4,251</u>
Disbursements				
Current				
Public Works	-	940	41	981
Capital Outlay	-	-	6,546	6,546
Total Disbursements	<u>-</u>	<u>940</u>	<u>6,587</u>	<u>7,527</u>
Excess of Receipts Over, (Under) Disbursements	615	2,636	(6,427)	(3,176)
Other Financing Sources, (Uses)				
Transfers In	-	-	3,000	3,000
Net Change in Cash Basis Fund Balance	615	2,636	(3,427)	(176)
Beginning Cash Basis Fund Balance	<u>57,161</u>	<u>39,972</u>	<u>5,776</u>	<u>102,909</u>
Ending Cash Basis Fund Balance	<u>\$ 57,776</u>	<u>\$ 42,608</u>	<u>\$ 2,349</u>	<u>\$ 102,733</u>

CITY OF HALSEY
LINN COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017

SPECIAL REVENUES - STREET & PATHWAY FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Interest	\$ 120	\$ 120	\$ 615	\$ 495
Grants	10,000	10,000	-	(10,000)
Total Receipts	10,120	10,120	615	(9,505)
Disbursements				
Capital Outlay	67,120	67,120 (1)	-	67,120
Excess of Receipts Over (Under) Disbursements	(57,000)	(57,000)	615	57,615
Net Change in Cash Basis Fund Balance	(57,000)	(57,000)	615	57,615
Beginning Cash Basis Fund Balance	57,000	57,000	57,161	161
Ending Cash Basis Fund Balance	\$ -	\$ -	\$ 57,776	\$ 57,776

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

SPECIAL REVENUES - STORMWATER DRAINAGE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Interest	\$ 150	\$ 150	\$ 418	\$ 268
System Reimbursement Fees	3,000	3,000	3,158	158
Fines and Forfeitures	60	60	-	(60)
Total Receipts	3,210	3,210	3,576	366
Disbursements				
Materials and Services	5,200	5,200 (1)	940	4,260
Capital Outlay	19,010	19,010 (1)	-	19,010
Contingency	7,500	7,500 (1)	-	7,500
Total Disbursements	31,710	31,710	940	30,770
Net Change in Cash Basis Fund Balance	(28,500)	(28,500)	2,636	31,136
Beginning Cash Basis Fund Balance	38,500	38,500	39,972	1,472
Ending Cash Basis Fund Balance	\$ 10,000	\$ 10,000	\$ 42,608	\$ 32,608

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

SPECIAL REVENUES - VETERANS MEMORIAL PARK FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Interest	\$ 25	\$ 25	\$ 60	\$ 35
Miscellaneous	5,000	5,000	100	(4,900)
Grants	28,515	28,515	-	(28,515)
Total Receipts	<u>33,540</u>	<u>33,540</u>	<u>160</u>	<u>(33,380)</u>
Disbursements				
Materials and Services	9,293	9,293 (1)	41	9,252
Capital Outlay	32,947	32,947 (1)	6,546	26,401
Total Disbursements	<u>42,240</u>	<u>42,240</u>	<u>6,587</u>	<u>35,653</u>
Excess of Receipts Over -Under Disbursements	(8,700)	(8,700)	(6,427)	(69,033)
OTHER FINANCING SOURCES				
Transfers In	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(5,700)	(5,700)	(3,427)	2,273
Beginning Cash Basis Fund Balance	<u>5,700</u>	<u>5,700</u>	<u>5,776</u>	<u>76</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,349</u>	<u>\$ 2,349</u>

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

<u>WATER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Receipts				
Interest	\$ 325	\$ 325	\$ 1,071	\$ 746
Charges for Services				
New Service Connections	1,000	1,000	6,994	5,994
Utility Services	175,500	175,500	189,694	14,194
Miscellaneous Water Fees	2,330	2,330	5,155	2,825
Miscellaneous	7,900	7,900	11,330	3,430
Total Receipts	187,055	187,055	214,244	27,189
Disbursements				
Personal Services	118,320	118,320 (1)	94,954	23,366
Materials and Services	64,710	64,710 (1)	51,423	13,287
Capital Outlay	29,325	29,325 (1)	25,938	3,387
Contingency	15,000	15,000 (1)	-	15,000
Total Disbursements	227,355	227,355	172,315	55,040
Excess of Receipts Over (Under) Disbursements	(40,300)	(40,300)	41,929	82,229
OTHER FINANCING SOURCES				
Transfers Out	(8,000)	(8,000) (1)	(8,000)	-
Net Change in Cash Basis Fund Balance	(48,300)	(48,300)	33,929	82,229
Beginning Cash Basis Fund Balance	83,800	83,800	88,757	4,957
Ending Cash Basis Fund Balance	<u>\$ 35,500</u>	<u>\$ 35,500</u>	122,686	<u>\$ 87,186</u>
Reconciliation to Net Position:				
Debt Service Fund Balance			63,718	
Water SDC Fund Balance			93,276	
Water Reserve Fund Balance			<u>220,152</u>	
Ending Net Position			<u>\$ 499,832</u>	

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

SEWER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Interest	\$ 400	\$ 400	\$ 1,114	\$ 714
Charges for Services				
New Service Connections	1,500	1,500	7,500	6,000
Utility Services	164,500	164,500	177,102	12,602
Miscellaneous Sewer Fees	1,200	1,200	2,073	873
Miscellaneous	100	100	1,339	1,239
Total Receipts	167,700	167,700	189,128	21,428
Disbursements				
Personal Services	105,875	105,875 (1)	84,782	21,093
Materials and Services	67,125	67,125 (1)	47,204	19,921
Capital Outlay	10,000	10,000 (1)	-	10,000
Contingency	8,700	8,700 (1)	-	8,700
Total Disbursements	191,700	191,700	131,986	59,714
Excess of Receipts Over (Under) Disbursements	(24,000)	(24,000)	57,142	81,142
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(16,000)	(16,000) (1)	(16,000)	-
Net Change in Cash Basis Fund Balance	(40,000)	(40,000)	41,142	81,142
Beginning Cash Basis Fund Balance	75,000	75,000	90,819	15,819
Ending Cash Basis Fund Balance	\$ 35,000	\$ 35,000	131,961	\$ 96,961
Reconciliation to Net Position:				
Sewer SDC Fund Balance			24,144	
Sewer Reserve Fund Balance			74,526	
Ending Net Position			\$ 230,631	

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

WATER SYSTEM DEVELOPMENT CHARGE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Interest	\$ 330	\$ 330	\$ 914	\$ 584
System Development Fees	2,000	2,000	11,967	9,967
Total Receipts	2,330	2,330	12,881	10,551
Disbursements				
Capital Outlay	10,000	10,000 (1)	-	10,000
Contingency	11,000	11,000 (1)	-	11,000
Total Disbursements	21,000	21,000	-	21,000
Net Change in Cash Basis Fund Balance	(18,670)	(18,670)	12,881	31,551
Beginning Cash Basis Fund Balance	80,000	80,000	80,395	395
Ending Cash Basis Fund Balance	\$ 61,330	\$ 61,330	\$ 93,276	\$ 31,946

(1) Appropriation Level

CITY OF HALSEY
LINN COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017

WATER SYSTEM DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Receipts				
Taxes				
Current	\$ 51,949	\$ 51,949	\$ 57,440	\$ 5,491
Prior	2,000	2,000	1,705	(295)
Interest	200	200	361	161
Total Receipts	<u>54,149</u>	<u>54,149</u>	<u>59,506</u>	<u>5,357</u>
Disbursements				
Debt Service				
Principal	17,915	17,915	17,915	-
Interest	36,629	36,629	36,629	-
Total Disbursements	<u>54,544</u>	<u>54,544</u> (1)	<u>54,544</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(395)	(395)	4,962	5,357
Beginning Cash Basis Fund Balance	<u>54,995</u>	<u>54,995</u>	<u>58,756</u>	<u>3,761</u>
Ending Cash Basis Fund Balance	<u>\$ 54,600</u>	<u>\$ 54,600</u>	<u>\$ 63,718</u>	<u>\$ 9,118</u>

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

WATER RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Interest	\$ 1,000	\$ 1,000	\$ 2,309	\$ 1,309
Disbursements				
Capital Outlay	30,000	30,000 (1)	-	30,000
Excess of Receipts Over (Under) Disbursements	(29,000)	(29,000)	2,309	31,309
OTHER FINANCING SOURCES				
Transfers In	8,000	8,000	8,000	-
Net Change in Cash Basis Fund Balance	(21,000)	(21,000)	10,309	31,309
Beginning Cash Basis Fund Balance	209,250	209,250	209,843	593
Ending Cash Basis Fund Balance	<u>\$ 188,250</u>	<u>\$ 188,250</u>	<u>\$ 220,152</u>	<u>\$ 31,902</u>

(1) Appropriation Level

CITY OF HALSEY
LINN COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>SEWER SYSTEM DEVELOPMENT CHARGE FUND</u>				
Receipts				
Interest	\$ 70	\$ 70	\$ 229	\$ 159
System Development Fees	1,000	1,000	4,648	3,648
Total Receipts	<u>1,070</u>	<u>1,070</u>	<u>4,877</u>	<u>3,807</u>
Disbursements				
Capital Outlay	7,500	7,500 (1)	-	7,500
Contingency	3,000	3,000 (1)	-	3,000
Total Disbursements	<u>10,500</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>
Net Change in Cash Basis Fund Balance	(9,430)	(9,430)	4,877	14,307
Beginning Cash Basis Fund Balance	<u>19,000</u>	<u>19,000</u>	<u>19,267</u>	<u>267</u>
Ending Cash Basis Fund Balance	<u><u>\$ 9,570</u></u>	<u><u>\$ 9,570</u></u>	<u><u>\$ 24,144</u></u>	<u><u>\$ 14,574</u></u>

(1) Appropriation Level

**CITY OF HALSEY
LINN COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

SEWER RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Receipts				
Interest	\$ 170	\$ 170	\$ 715	\$ 545
Disbursements				
Capital Outlay	20,000	20,000 (1)	-	20,000
Excess of Receipts Over, (Under) Disbursements	(19,830)	(19,830)	715	20,545
OTHER FINANCING SOURCES, (USES)				
Transfers In	16,000	16,000	16,000	-
Net Change in Cash Basis Fund Balance	(3,830)	(3,830)	16,715	20,545
Beginning Cash Basis Fund Balance	57,600	57,600	57,811	211
Ending Cash Basis Fund Balance	<u>\$ 53,770</u>	<u>\$ 53,770</u>	<u>\$ 74,526</u>	<u>\$ 20,756</u>

(1) Appropriation Level

CITY OF HALSEY
LINN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - ALL FUNDS
For the Year Ended June 30, 2017

<u>TAX YEAR</u>	<u>IMPOSED LEVY OR UNCOLLECTED AT 7-1-16</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>		<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-17</u>
CURRENT:							
2016-17	\$ 355,109	\$ 9,173	\$ (812)	\$ 177	333,545	\$ 11,756	
PRIOR YEARS:							
2015-16	12,640	-	(444)	387	5,218	7,365	
2014-15	7,476	-	(620)	366	2,005	5,217	
2013-14	5,469	-	(529)	498	1,714	3,724	
2012-13	3,301	-	(302)	276	785	2,490	
Prior	5,890	-	(157)	103	150	5,686	
Total	<u>\$ 389,885</u>	<u>\$ 9,173</u>	<u>\$ (2,864)</u>	<u>\$ 1,807</u>	<u>\$ 343,417</u>	<u>\$ 36,238</u>	

RECONCILIATION TO RECEIPTS

Cash Collections by County Treasurer Above	\$ 343,417
Cash Basis Timing Differences	<u>4,496</u>
Total Receipts	<u>\$ 347,913</u>
Receipts Allocation to Funds:	
General Fund	\$ 288,768
Debt Services Fund	<u>59,145</u>
	<u>\$ 347,913</u>

CITY OF HALSEY
LINN COUNTY, OREGON

SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Halsey's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.002 %	\$ 292,287	\$ 218,400	133.8 %	80.5 %
2016	0.001	37,061	207,761	17.8	91.9
2015	0.002	(40,676)	224,081	(18.2)	103.6

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

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

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2017	\$ 3,793	\$ 3,793	-	\$ 217,207	1.7 %
2016	5,196	5,196	-	218,400	2.4
2015	19,932	19,932	-	207,761	9.6

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

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

CITY OF HALSEY
LINN COUNTY, OREGON

INDEPENDENT AUDITORS' COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS



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September 28, 2017

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Halsey as of and for the year ended June 30, 2017, and have issued our report thereon dated September 28, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Halsey'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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

OAR 162-10-0230 Internal Control

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

INDEPENDENT AUDITORS' COMMENTS AND DISCLOSURES

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

A handwritten signature in black ink, appearing to read "Ken Allen".

Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.