

CITY OF LA GRANDE, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016



The City of La Grande
Finance Department
Kimberly Hulse
Finance Officer



**CITY OF LA GRANDE, OREGON
ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION



CITY of LA GRANDE

OFFICIALS OF THE CITY

June 30, 2016

ELECTED OFFICIALS OF THE CITY

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Steve Clements	Mayor	December 31, 2016
Gary Lillard	Mayor Pro Tem	December 31, 2018
John Bozarth	Council Member	December 31, 2016
Wayne Brown	Council Member	December 31, 2016
John Lackey	Council Member	December 31, 2016
Troy Pointer	Council Member	December 31, 2018
Justin Rock	Council Member	December 31, 2018

CITY STAFF

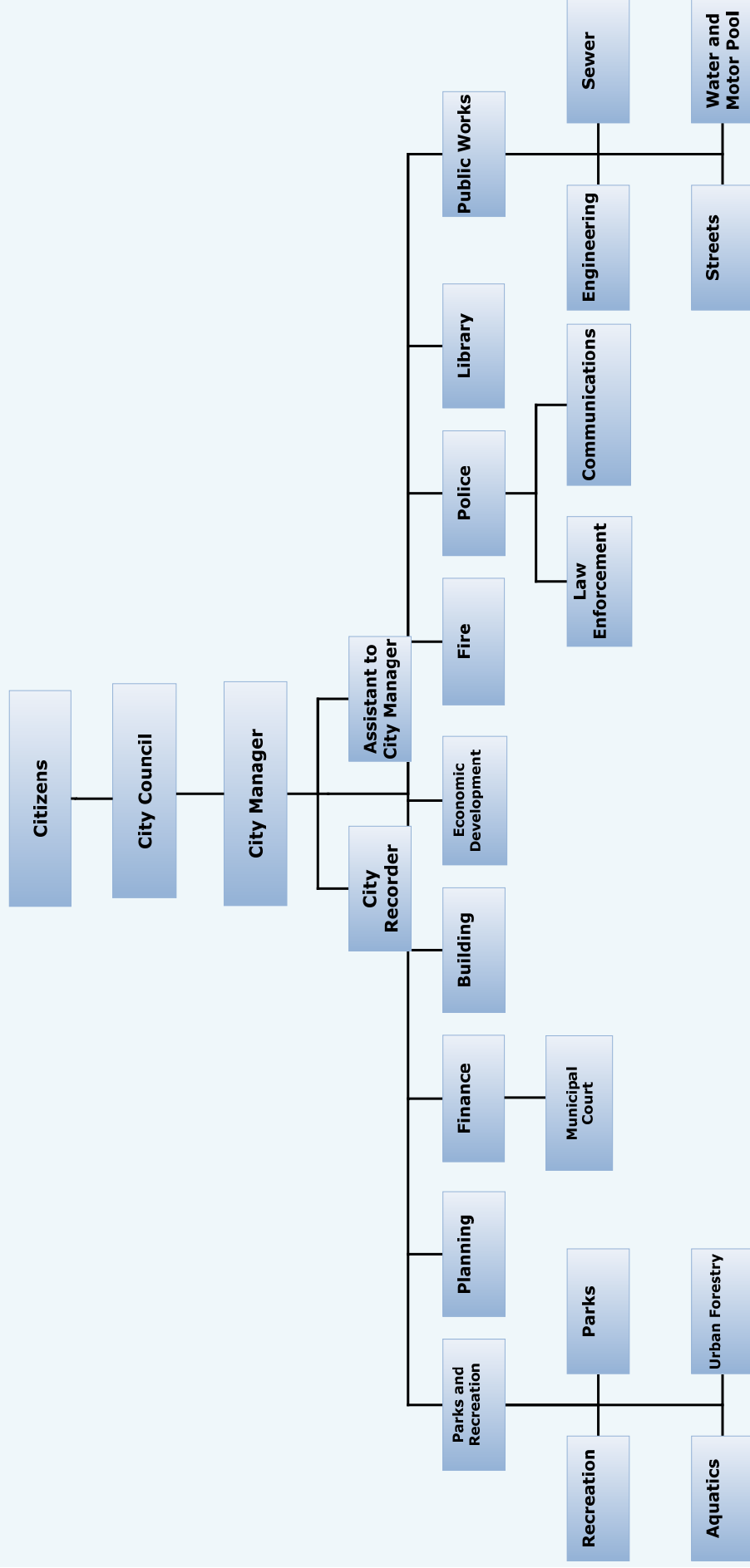
<u>Name</u>	<u>Position</u>
Robert Strobe	City Manager
Kimberly Hulse	Finance Director
Brian Harvey	Police Chief
Stu Spence	Parks Director
Norm Paullus	Public Works Director
Gus Bryant	Fire Chief
Teresa Washburn	Library Director

CITY ADDRESS **CITY OF LA GRANDE**

1000 Adams Avenue
P.O. Box 670
La Grande, Oregon 97850

www.cityoflagrande.org

CITY OF LA GRANDE Organization Chart December, 2015



FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of La Grande, Oregon

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 La Grande, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

A

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, disclosures for the City's street system based on a condition index under the modified approach for infrastructure, schedules of the City's Proportional Share of the Net Pension Liability (Asset) and the City's Contributions to the Oregon Public Employees Retirement System, and Notes to Required Supplementary Information, as listed in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Grande, Oregon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the City of La Grande, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of La Grande, Oregon's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 28, 2016, on our consideration of the City of La Grande's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.


Dickey and Tremper, LLP
Certified Public Accountants

December 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LA GRANDE, OREGON
Management's Discussion and Analysis
June 30, 2016

The management of the City of La Grande, Oregon presents this narrative overview and analysis to facilitate both a short- and long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2016. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date 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's total assets on June 30, 2016 are \$97,539,671, which is a \$399,317 increase from last year's total assets of \$97,140,354.
- The City's total liabilities increased \$1,395,803 from \$10,195,703 to \$11,591,506, as of June 30, 2016. A large majority of the increase is due to the PERS net pension liability increase.
- The City's net position decreased by \$34,328, from \$86,019,235 to \$85,984,907 which is a decrease of less than 0.1%. Many assets and liabilities are reflected in this number and no one factor attributed to the decrease.
- On June 30, 2016, the City's governmental funds reported combined ending fund balances of \$10,220,809, which is a decrease of \$806,745 in comparison to the prior year ending fund balance of \$11,027,554. This represents an 8% decrease in ending fund balances. Activities within the URA General fund and the Capital Equipment and Improvement fund attributed to this difference.
- The unrestricted fund balance (not reserved for future debt obligations) of the business-type activities (water, sewer, storm utility and building inspections) increased 22% from \$5,408,560 to \$6,949,318. Total net position of business-type activities including invested in capital assets, net of related debt increased by 9%.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the City's basic financial statements and other required supplementary information. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

1. 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 private-sector business.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as "net position". The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. 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 net position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns, the liabilities it owes and the net difference. The focus of the statement of net position (the "unrestricted net position") is designed to be similar to a bottom line or "net worth" for the City and its governmental and business-type activities.

The *Statement of Activities* presents information about how the City's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Examples would include showing water and sewer charges as revenue when billed to the customer and the cost of vacation earned but not used by our employees.

CITY OF LA GRANDE, OREGON
Management's Discussion and Analysis
June 30, 2016

Overview of the Financial Statements – (continued)

This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues. The statement of activities is focused on both the gross and net cost of various activities, which are provided by the government's property tax and other revenues.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a large portion of their cost through user fees and charges.

The governmental activities of the City include General Fund, Capital Equipment & Improvement, General Building/Equipment Reserve, Grants & Donations, Street Maintenance, Street & Road, 9-1-1 Emergency and Urban Renewal Funds. The Urban renewal fund is legally separate from the City, but for which the City is financially accountable. The business-type activities of the City include Water, Sewer, Sewer Construction, Sewer Debt, Building Inspection and Storm Utility Funds.

2. 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. Funds allow the City to track sources of funding and spending for specific programs and to demonstrate compliance with various regulatory requirements. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

The City has two kinds of funds:

Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the spendable resources available at the end of the fiscal year. Consequently, the governmental funds statements provide a detailed short-term, view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds – The City maintains two different types of proprietary funds: Enterprise funds and internal service funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City's enterprise funds are the water, sewer, storm utilities, building inspection, sewer construction and sewer debt funds. Internal service funds allocate costs integrally among the City's various functions. Internal service funds include the Motor Pool fund, which accounts for fleet activities, and the Public Works Service fund, which accounts for all Labor related activities for Public Works personnel. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long- term financial information. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities.

3. Notes to the Basic Financial Statements

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

CITY OF LA GRANDE, OREGON
Management's Discussion and Analysis
June 30, 2016

The City as a Whole

The City's combined net position decreased by \$34,328, from \$86,019,235 to \$85,984,907. Net position represents cash and cash equivalents, accounts receivable, supplies inventories, capital assets (less accumulated depreciation), less all short and long-term liabilities. The City's cash and cash equivalents increased \$519,049 to \$17,320,763 from last year's amount of \$16,801,714. The net position of business-type activities increased \$1,997,558 while the Governmental activities net position decreased \$2,031,886, of which \$2,389,931 is the change in reporting of PERS net pension from an asset to a liability. Capital assets represents utility and street systems, buildings and equipment valued over \$5,000 and having a useful life of more than one year. Net capital assets represent the cost of the asset less depreciation.

Condensed Financial Information - Following is condensed financial information derived from the City's government wide financial statement.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016
Current Assets	\$ 14,321,671	\$ 13,110,761	\$ 6,640,895	\$ 8,282,705	\$ 20,962,566	\$ 21,393,466
Capital Assets, net	\$ 57,240,451	\$ 57,021,201	\$ 18,937,337	\$ 19,125,004	\$ 76,177,788	\$ 76,146,205
Total Assets	\$ 71,562,122	\$ 70,131,962	\$ 25,578,232	\$ 27,407,709	\$ 97,140,354	\$ 97,539,671
Deferred Outflows of Resources	\$ 319,490	\$ 440,217	\$ -	\$ -	\$ -	\$ 440,217
Outstanding	\$ 5,525,687	\$ 7,453,816	\$ 3,003,968	\$ 2,844,022	\$ 8,529,655	\$ 10,297,838
Other Liabilities	\$ 1,506,545	\$ 1,142,300	\$ 159,503	\$ 151,368	\$ 1,666,048	\$ 1,293,668
Total Liabilities	\$ 7,032,232	\$ 8,596,116	\$ 3,163,471	\$ 2,995,390	\$ 10,195,703	\$ 11,591,506
Deferred Inflows of Resources	\$ 1,244,906	\$ 403,475	\$ -	\$ -	\$ 1,244,906	\$ 403,475
Net Position:						
Net investment in capital assets	\$ 53,731,983	\$ 53,645,143	\$ 16,646,385	\$ 17,103,185	\$ 70,378,368	\$ 70,748,328
Restricted	\$ 3,566,185	\$ 3,179,449	\$ 359,816	\$ 359,816	\$ 3,926,001	\$ 3,539,265
Unrestricted	\$ 6,306,306	\$ 4,747,996	\$ 5,408,560	\$ 6,949,318	\$ 11,714,866	\$ 11,697,314
	\$ 63,604,474	\$ 61,572,588	\$ 22,414,761	\$ 24,412,319	\$ 86,019,235	\$ 85,984,907

CITY OF LA GRANDE, OREGON
Management's Discussion and Analysis
June 30, 2016

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016
REVENUES						
Program revenues						
Charges for services	\$ 1,825,035	\$ 1,919,427	\$ 6,371,929	\$ 6,953,111	\$ 8,196,964	\$ 8,872,538
Operating grants	1,291,220	1,329,654	-	-	1,291,220	1,329,654
Capital grants	85,693	399,703	-	-	85,693	399,703
General revenues	-	-	-	-	-	-
Property taxes	5,192,859	5,522,774	-	-	5,192,859	5,522,774
Franchise Taxes	1,101,809	1,131,800	-	-	1,101,809	1,131,800
Other Taxes	779,675	831,496	-	-	779,675	831,496
Other Income	2,478	1,033	-	-	2,478	1,033
Interest Income	46,432	64,893	31,690	46,442	78,122	111,335
Total Revenues	10,325,201	11,200,780	6,403,619	6,999,553	16,728,820	18,200,333
Expenses						
General government	702,091	792,046	-	-	702,091	792,046
Police department	2,755,369	4,451,253	-	-	2,755,369	4,451,253
Fire Department	1,938,116	2,734,497	-	-	1,938,116	2,734,497
Community development	1,198,655	942,694	-	-	1,198,655	942,694
Public services	1,936,964	2,110,261	-	-	1,936,964	2,110,261
Highways and streets	1,804,892	1,723,031	-	-	1,804,892	1,723,031
Interest on long-term debt	89,190	118,350	-	-	89,190	118,350
Water	-	-	2,305,347	2,237,232	2,305,347	2,237,232
Sewer	-	-	2,341,276	2,431,480	2,341,276	2,431,480
Storm utility	-	-	178,861	156,296	178,861	156,296
Building inspection	-	-	481,745	506,985	481,745	506,985
Total Expenses	10,425,277	12,872,132	5,307,229	5,331,993	15,732,506	18,204,125
Excess (deficiency) before special items and transfers	(100,076)	(1,671,352)	1,096,390	1,667,560	996,314	(3,792)
Special Items:						
Transfers of capital assets	-	-	-	-	-	-
Donated property revenue	-	-	-	-	-	-
Loss on disposal of assets	(128,858)	(30,536)	-	-	(128,858)	(30,536)
Operating Transfers	441,750	(329,998)	(441,750)	329,998	-	-
Increase (decrease) in net position	\$ 212,816	\$ (2,031,886)	\$ 654,640	\$ 1,997,558	\$ 867,456	\$ (34,328)

Governmental Activities

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,220,809 a decrease of \$806,745 in comparison with the prior years ending fund balance of \$11,027,554.

The City maintains nine governmental funds and each fund has a unique purpose. Four funds (General, Capital Equipment and Improvement and Urban Renewal General and Debt funds) are classified as major funds for the purposes of this report, based on criteria set forth by the Governmental Accounting Standards Board. The activity in the major funds is described below.

Governmental Funds –At the end of fiscal year 2016, the fund balance was \$10,220,809, an \$806,745 decrease from the ending balance of \$11,027,554 for fiscal Year 2015. Activities within the URA General fund and the Capital Equipment and Improvement fund attributed to this difference.

Capital Equipment and Improvement Fund – The capital projects fund accounts for money set aside by the City Council for identified and unidentified future projects. Additionally, this fund is used to accumulate grant match funds and capital grant monies for anticipated future projects. The net change in fund balance is a decrease of \$553,185 for fiscal year 2016. Revenues, including transfers in, were \$485,144 and expenses, including transfers out, were \$1,038,329 compared with the prior year revenues of \$540,966 and expenses of \$119,489. Revenues did not include grant money this year. Expenditures did included amounts related to the 20th Street project and the 20th Street Slough Crossing projects.

CITY OF LA GRANDE, OREGON
Management's Discussion and Analysis
June 30, 2016

Governmental Activities – (continued)

Urban Renewal General Fund – Transfers in, including a small amount of miscellaneous revenues accounted for the \$1,267,076 in total revenues. Expenditures were \$1,555,879. The fund balance decreased \$288,803, due to the funding of plan projects and the continuation of the Adams Avenue Streetscape Project. There was no new issuance of debt.

Urban Renewal Debt Fund - The fund balance decreased by \$178,878 during the year. Revenues, were \$1,351,104, and expenses, including transfers out, were \$1,529,982. Prior year revenues and expenses were \$1,061,121 and \$1,307,073 respectively.

Business-Type Activities

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

Proprietary funds (or enterprise funds) are those funds that account for government operations where the intent is for the costs to be primarily paid for by the beneficiary. The business-type activities of the City are accounted for in six enterprise funds. Two of these funds are classified as major funds for the purposes of this report. The activity in the major funds is described below.

Water Fund – The water fund is responsible for the operation and maintenance of the City's reservoirs, wells and the distribution system for potable water. The fund net position increased by \$529,169 during the year. Revenues were \$2,919,718 and expenses, including transfers out, were \$2,390,549 as compared to prior year revenues of \$2,680,165 and expenses of \$2,458,971.

All Sewer Funds – The sewer fund accounts for the operation and maintenance of the collection system and the waste water treatment plant. The fund net position increased by \$1,136,628. Revenues, including transfers in, were \$4,378,436 and expenses, including transfers out, were \$3,241,808. Prior year revenues and expenses were \$3,658,994 and \$3,211,013 respectively. This Fiscal year includes a \$500,000 transfer from the Capital Equipment and Improvement Fund into the Sewer Fund as part of a realignment of placement of reserve funds and these funds are dedicated to Sewer and therefore should be reflected in the sewer fund.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts. There were no supplemental budgets, however, the City did adjust by transfer of appropriations a change of \$86,000 from General Fund contingencies to the City Manager/City Council budget for unanticipated cost for legal expenses, a property abatement and pass thru dollars to the County.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 was \$76,146,205 (net of accumulated depreciation) compared to the prior year net capital assets of \$76,177,788. 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 (water systems, transportation, storm water, and wastewater). Overall, the City's net book value for capital assets decreased by \$31,583.

The City of La Grande manages the City's roadway infrastructure using the modified approach. There have been minor changes in the assessed condition of the assets that reflect the wear of the roadways, while also showing the results of the maintenance investments. Currently, the assessed condition of each of the pavement sections exceeds the level that has been adopted by the City, and is being adequately maintained.

CITY OF LA GRANDE, OREGON
Management's Discussion and Analysis
June 30, 2016

Capital Asset and Debt Administration – (continued)

There have historically been no differences in the actual amounts expended to maintain these levels, to the amounts needed that are estimated annually.

Long-term Debt – At year-end, the City had \$5,397,887 in bonds (Including deferred premium) and notes outstanding. Total debt outstanding decreased by 7.4% over last year as shown in the table below. More detailed information about the City's long-term liabilities is presented in Note III (E) beginning on page 28 of this report.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016
Sewer Treatment	\$ -	\$ -	\$ 2,290,952	\$ 2,021,819	\$ 2,290,952	\$ 2,021,819
Oregon Economic Development	\$ 976,117	\$ 940,218	\$ -	\$ -	\$ 976,117	\$ 940,218
Urban Renewal Bond 2012A	\$ 955,000	\$ 910,000	\$ -	\$ -	\$ 955,000	\$ 910,000
Urban Renewal Bond 2015A	\$ 1,550,000	\$ 1,500,000	\$ -	\$ -	\$ 1,550,000	\$ 1,500,000
Deferred Premium	\$ 27,351	\$ 25,850	\$ -	\$ -	\$ 27,351	\$ 25,850
Totals	\$ 3,508,468	\$ 3,376,068	\$ 2,290,952	\$ 2,021,819	\$ 5,799,420	\$ 5,397,887

Component Units

La Grande Urban Renewal Agency is a legally separate organization for which the City is accountable. This agency is so intertwined with the City that it is in substance the same as the City and, therefore, is blended and reported as if it was a part of the City. The elected Mayor and City Council serve as the governing board of the La Grande Urban Renewal Agency. The separate financial statements for the La Grande Urban Renewal Agency are available at City Hall.

Economic Factors and Next Year's Budgets and Rates

The State of Oregon does not have a sales tax, making property taxes the major resource for most governmental agencies in Oregon. This resource is used for governmental activities. Business-type activities are funded with utility fees and charges for services.

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. Like all cities in Oregon, the City is operating under Measure 50, the ad valorem tax limitation measure approved by voters on May 20, 1997. This measure rolled back assessed values to 1995-96 levels and effectively limited increased property tax revenues the city could anticipate in future years to a maximum of three percent, with permitted allowances for increasing valuations based on new construction. No substantive changes to the basic provisions of Measure 50 have been enacted during subsequent Oregon Legislative sessions.

CITY OF LA GRANDE, OREGON
Management's Discussion and Analysis
June 30, 2016

Economic Factors and Next Year's Budgets and Rates – (continued)

The following are the major assumptions used in developing the budget for fiscal year 2016-2017

1. Interest rates on investments were not likely to move upward.
2. Most revenue projections are conservative based upon a projected stagnant economy.
3. The City Council authorized a 5% rate increase for both water and sewer.
4. A significant under levy of the amount of assessed value upon which Urban Renewal revenues are based.
5. The City would set aside portions of its fund balances for contingencies and emergency situations

The goals of the budget were to maintain as many of the existing service levels as possible, continue to invest in infrastructure and equipment, and maintain an appropriate level of resources needed to achieve these goals.

Requests for Information

The City's financial report is designed to provide City taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kim Hulse, Finance Director at 1000 Adams Avenue, La Grande, OR 97850 or kimhulse@cityoflagrande.org

BASIC FINANCIAL STATEMENTS

CITY OF LA GRANDE, OREGON
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,922,021	\$ 6,398,742	\$ 17,320,763
Receivables:			
Accounts, net	753,897	760,101	1,513,998
Property taxes	517,529	-	517,529
Assessments	75,475	-	75,475
Notes	647,432	-	647,432
Internal balances	(422,978)	422,978	-
Prepaid items	135,501	-	135,501
Inventories	61,521	341,068	402,589
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	359,816	359,816
Investment in IOFF building	420,363	-	420,363
Capital assets:			
Land	879,768	276,216	1,155,984
Infrastructure on modified approach	42,177,336	-	42,177,336
Construction in progress	236,669	-	236,669
Depreciable assets, net of depreciation	13,727,428	18,848,788	32,576,216
 Total assets	 70,131,962	 27,407,709	 97,539,671
DEFERRED OUTFLOWS OF RESOURCES	440,217	-	440,217
LIABILITIES			
Accounts payable and accrued expenses	541,069	136,057	677,126
Accrued interest payable	31,811	6,887	38,698
Deposits	8,357	-	8,357
Compensated absences	561,063	8,424	569,487
Long-term obligations:			
Due within one year	146,135	279,539	425,674
Due in more than one year	7,307,681	2,564,483	9,872,164
 Total liabilities	 8,596,116	 2,995,390	 11,591,506
DEFERRED INFLOWS OF RESOURCES	403,475	-	403,475
NET POSITION			
Net investment in capital assets	53,645,143	17,103,185	70,748,328
Restricted for:			
Highways and streets	696,173	-	696,173
System development	171,221	-	171,221
Debt service	-	359,816	359,816
Urban Renewal District projects	1,772,826	-	1,772,826
Other grants and projects	539,229	-	539,229
Unrestricted	4,747,996	6,949,318	11,697,314
 Total net position	 \$ 61,572,588	 \$ 24,412,319	 \$ 85,984,907

The notes to the basic financial statements are an integral part of this statement.

CITY OF LA GRANDE, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 792,046	\$ 80,669	\$ -	\$ 21,632	\$ (689,745)	\$ -	\$ (689,745)
Police department	4,451,253	277,542	421,564	253,342	(3,498,805)	-	(3,498,805)
Fire & EMS department	2,734,497	959,931	-	-	(1,774,566)	-	(1,774,566)
Community development	942,694	1,075	-	24,268	(917,351)	-	(917,351)
Public services	2,110,261	172,922	129,578	70,202	(1,737,559)	-	(1,737,559)
Highways and streets	1,723,031	427,288	778,512	30,259	(486,972)	-	(486,972)
Interest on long-term obligations	118,350	-	-	-	(118,350)	-	(118,350)
Total governmental activities	12,872,132	1,919,427	1,329,654	399,703	(9,223,348)	-	(9,223,348)
Business-type activities:							
Water	2,237,232	2,908,898	-	-	-	671,666	671,666
Sewer	2,431,480	3,210,786	-	-	-	779,306	779,306
Storm utility	156,296	208,776	-	-	-	52,480	52,480
Building inspection	506,985	624,651	-	-	-	117,666	117,666
Total business-type activities	5,331,993	6,953,111	-	-	-	1,621,118	1,621,118
Total primary government	\$18,204,125	\$ 8,872,538	\$1,329,654	\$ 399,703	(9,223,348)	1,621,118	(7,602,230)
General revenues:							
Property taxes levied for:							
General purposes					4,162,987	-	4,162,987
Debt service					1,359,787	-	1,359,787
Franchise and public services taxes					1,963,296	-	1,963,296
Interest and investment earnings					64,893	46,442	111,335
Miscellaneous					1,033	-	1,033
Gain (loss) on sale of property					(30,536)	-	(30,536)
Transfers					(329,998)	329,998	-
Total general revenues and transfers					7,191,462	376,440	7,567,902
Change in net position					(2,031,886)	1,997,558	(34,328)
Net position, beginning					63,604,474	22,414,761	86,019,235
Net position, ending					\$61,572,588	\$24,412,319	\$ 85,984,907

The notes to the basic financial statements are an integral part of this statement.



FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, police, fire & EMS, community development, and public services.

Urban Renewal General

The Urban Renewal General Fund accounts for the primary operating activity for the Agency. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Capital Equipment and Improvement Fund

The Capital Equipment and Improvement Fund accounts for capital construction projects of the City funded primarily by grant revenues.

Urban Renewal Debt Fund

The Urban Renewal Debt Fund accounts for revenue specifically reserved for Urban Renewal debt service.

CITY OF LA GRANDE, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Urban Renewal General Fund	Capital Equipment & Improvement Fund	Urban Renewal Debt Fund	Other Governmental Funds	Totals
ASSETS						
Cash and cash equivalents	\$3,124,456	\$1,252,174	\$2,984,779	\$ 589,447	\$ 2,112,197	\$10,063,053
Receivables:						
Property taxes	407,657	-	-	109,872	-	517,529
Accounts, net	630,780	-	-	-	123,117	753,897
Assessments	-	-	75,475	-	-	75,475
Notes	-	647,432	-	-	-	647,432
Inventory	-	-	-	-	57,018	57,018
Prepaid items	5,489	-	-	-	-	5,489
Total assets	<u>\$4,168,382</u>	<u>\$1,899,606</u>	<u>\$3,060,254</u>	<u>\$ 699,319</u>	<u>\$ 2,292,332</u>	<u>\$12,119,893</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 319,593	\$ 79,127	\$ 1,689	\$ -	\$ 61,660	\$ 462,069
Deposits	-	-	-	-	8,357	8,357
Total liabilities	<u>319,593</u>	<u>79,127</u>	<u>1,689</u>	<u>-</u>	<u>70,017</u>	<u>470,426</u>
DEFERRED INFLOWS OF						
Unavailable revenue	<u>587,406</u>	<u>647,432</u>	<u>75,475</u>	<u>99,540</u>	<u>18,805</u>	<u>1,428,658</u>
FUND BALANCES						
Nonspendable	5,489	-	-	-	57,018	62,507
Restricted	-	1,173,047	-	599,779	1,406,623	3,179,449
Assigned	20,000	-	2,983,090	-	739,869	3,742,959
Unassigned	<u>3,235,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,235,894</u>
Total fund balances	<u>3,261,383</u>	<u>1,173,047</u>	<u>2,983,090</u>	<u>599,779</u>	<u>2,203,510</u>	<u>10,220,809</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$4,168,382</u>	<u>\$1,899,606</u>	<u>\$3,060,254</u>	<u>\$ 699,319</u>	<u>\$ 2,292,332</u>	<u>\$12,119,893</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LA GRANDE, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Fund balances - total governmental funds \$ 10,220,809

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

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds 55,711,564

Real estate held for investment in governmental activities are not financial resources, and, therefore, are not reported in the funds 420,363

Prepaid health insurance is expensed in the fund financial statements as it is paid, but in the Statement of Net Position, it is reported as an asset for a prepaid expenditure. 92,121

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements. 1,428,658

Net pension liability and the related deferred outflows and deferred inflows are not due and payable in the current period, and, therefore, are not reported in the funds. (1,708,024)

Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds. (401,252)

Accrued other postemployment benefits are not due and payable in the current period, and, therefore, are not reported in the funds. (2,332,982)

Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements. (31,811)

Long-term liabilities, including bonds and notes payable and the related premium on debt, are not due and payable in the current period, and, therefore, are not reported in the fund statements. (3,376,068)

Internal service funds are used by management to charge motor pool costs and public works labor to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. 1,549,210

Net position of governmental activities \$ 61,572,588

CITY OF LA GRANDE, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund	Urban Renewal General Fund	Capital Equipment & Improvement Fund	Urban Renewal Debt Fund	Other Governmental Funds	Totals
REVENUES						
Property taxes	\$4,139,431	\$ -	\$ -	\$1,343,193	\$ -	\$ 5,482,624
Other taxes	514,038	-	-	-	-	514,038
Franchise fees	1,131,800	-	-	-	-	1,131,800
Assessments	-	-	31,444	-	-	31,444
Licenses and fees	32,241	-	-	-	-	32,241
Charges for services	1,338,826	-	-	-	439,131	1,777,957
Intergovernmental	534,446	-	30,259	-	1,177,404	1,742,109
Fines and forfeitures	72,555	-	-	-	-	72,555
Contributions	-	-	-	-	19,348	19,348
Interest on investments	14,890	-	23,441	7,911	14,234	60,476
Miscellaneous	48,428	1,075	-	-	59,719	109,222
TOTAL REVENUES	<u>7,826,655</u>	<u>1,075</u>	<u>85,144</u>	<u>1,351,104</u>	<u>1,709,836</u>	<u>10,973,814</u>
EXPENDITURES						
Current:						
General government	729,606	-	-	-	-	729,606
Police department	2,879,956	-	-	-	382,583	3,262,539
Fire & EMS department	1,951,801	-	-	-	40,731	1,992,532
Community development	299,920	247,986	-	-	-	547,906
Public services	1,480,062	-	-	-	72,953	1,553,015
Highways and streets	-	-	-	-	1,061,997	1,061,997
Capital outlay	255,655	1,307,893	538,329	-	178,855	2,280,732
Debt service	-	-	-	263,981	-	263,981
TOTAL EXPENDITURES	<u>7,597,000</u>	<u>1,555,879</u>	<u>538,329</u>	<u>263,981</u>	<u>1,737,119</u>	<u>11,692,308</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>229,655</u>	<u>(1,554,804)</u>	<u>(453,185)</u>	<u>1,087,123</u>	<u>(27,283)</u>	<u>(718,494)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,500	1,266,001	400,000	-	219,750	1,889,251
Transfers out	(58,000)	-	(500,000)	(1,266,001)	(153,500)	(1,977,501)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,500)</u>	<u>1,266,001</u>	<u>(100,000)</u>	<u>(1,266,001)</u>	<u>66,250</u>	<u>(88,250)</u>
NET CHANGE IN FUND BALANCE	175,155	(288,803)	(553,185)	(178,878)	38,967	(806,744)
FUND BALANCE, Beginning	<u>3,086,228</u>	<u>1,461,850</u>	<u>3,536,275</u>	<u>778,657</u>	<u>2,164,543</u>	<u>11,027,553</u>
FUND BALANCE, Ending	<u>\$3,261,383</u>	<u>\$1,173,047</u>	<u>\$2,983,090</u>	<u>\$ 599,779</u>	<u>\$ 2,203,510</u>	<u>\$10,220,809</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LA GRANDE, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Net change in fund balance - governmental funds \$ (806,744)

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

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

 Unavailable revenues 444,681

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

130,899

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds.

 Change in prepaid health insurance (755)

 Change in compensated absences (31,670)

 Change in accrued interest payable 13,231

 Amortization of bond premium 1,501

 Change in other postemployment benefits (315,763)

 Change in pension asset (liability) and related deferred outflows and inflows (1,427,773)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation

 Capital asset additions \$ 847,021

 Basis of assets disposed (30,536)

 Depreciation expense (874,830)

(58,345)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds are allocated between governmental and business - type activities.

18,852

Change in net position - governmental activities \$ (2,031,886)

CITY OF LA GRANDE, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	\$ 4,181,000	\$ 4,181,000	\$ 4,139,431	\$ (41,569)
Other taxes	417,500	417,500	514,038	96,538
Franchise fees	1,162,900	1,162,900	1,131,800	(31,100)
Licenses and fees	22,000	22,000	32,241	10,241
Charges for services	1,152,611	1,152,611	1,338,826	186,215
Intergovernmental	472,741	472,741	534,446	61,705
Fines and forfeitures	56,500	56,500	72,555	16,055
Interest on investments	13,500	13,500	14,890	1,390
Miscellaneous	427,808	427,808	296,414	(131,394)
TOTAL REVENUES	7,906,560	7,906,560	8,074,641	168,081
EXPENDITURES				
Current:				
General government	1,430,831	1,516,831	1,429,387	87,444
Police department	2,981,257	2,981,257	2,879,956	101,301
Fire & EMS department	2,068,436	2,068,436	1,951,801	116,635
Community development	627,488	627,488	491,433	136,055
Public works	1,601,259	1,601,259	1,480,062	121,197
Capital outlay	345,000	345,000	255,655	89,345
Contingency	300,000	214,000	-	214,000
TOTAL EXPENDITURES	9,354,271	9,354,271	8,488,294	865,977
REVENUES OVER (UNDER) EXPENDITURES	(1,447,711)	(1,447,711)	(413,653)	1,034,058
OTHER FINANCING SOURCES (USES)				
Transfers in	646,807	646,807	646,807	-
Transfers out	(58,000)	(58,000)	(58,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	588,807	588,807	588,807	-
NET CHANGE IN FUND BALANCE	(858,904)	(858,904)	175,154	1,034,058
FUND BALANCE, Beginning	2,653,773	2,653,773	3,086,228	432,455
FUND BALANCE, Ending	\$ 1,794,869	\$ 1,794,869	\$ 3,261,382	\$ 1,466,513

The notes to the basic financial statements are an integral part of this statement.

CITY OF LA GRANDE, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
URBAN RENEWAL GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,075	\$ 1,075
TOTAL REVENUES	-	-	1,075	1,075
EXPENDITURES				
Current:				
Community development:				
Materials and services	386,808	386,808	247,986	138,822
Capital outlay	2,547,911	2,547,911	1,307,893	1,240,018
TOTAL EXPENDITURES	2,934,719	2,934,719	1,555,879	1,378,840
REVENUES OVER (UNDER) EXPENDITURES	(2,934,719)	(2,934,719)	(1,554,804)	1,379,915
OTHER FINANCING SOURCES (USES)				
Transfers in	1,463,206	1,463,206	1,266,001	(197,205)
TOTAL OTHER FINANCING SOURCES (USES)	1,463,206	1,463,206	1,266,001	(197,205)
NET CHANGE IN FUND BALANCE	(1,471,513)	(1,471,513)	(288,803)	1,182,710
FUND BALANCE, Beginning	1,471,513	1,471,513	1,461,850	(9,663)
FUND BALANCE, Ending	\$ -	\$ -	\$ 1,173,047	\$ 1,173,047

The notes to the basic financial statements are an integral part of this statement.



FUND FINANCIAL STATEMENTS

Proprietary Funds

The City of La Grande uses Proprietary Funds comprised entirely of Enterprise Funds.

Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of the water sewer, storm sewer, and building inspection activities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

- **Water**
- **All Sewer**
- **Other Enterprise**

For budgetary purposes (see budget schedules in Supplemental Information), the above funds are accounted for in the following separate funds:

- **All Sewer Funds**
 - Sewer
 - Sewer Construction
 - CWSRF
- **Other Enterprise Funds**
 - Storm Utility
 - Building Inspections

CITY OF LA GRANDE, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Fund	All Sewer Funds	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,355,821	\$ 3,756,590	\$ 1,286,331	\$ 6,398,742	\$ 858,968
Receivables:					
Accounts, net	369,217	363,845	27,039	760,101	-
Prepaid items	-	-	-	-	37,891
Inventories	304,629	36,439	-	341,068	4,503
Total current assets	<u>2,029,667</u>	<u>4,156,874</u>	<u>1,313,370</u>	<u>7,499,911</u>	<u>901,362</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	359,816	-	359,816	-
Capital assets:					
Land	82,573	193,643	-	276,216	-
Depreciable assets, net of depreciation	<u>5,139,952</u>	<u>12,631,413</u>	<u>1,077,423</u>	<u>18,848,788</u>	<u>1,309,637</u>
Total noncurrent assets	<u>5,222,525</u>	<u>13,184,872</u>	<u>1,077,423</u>	<u>19,484,820</u>	<u>1,309,637</u>
Total assets	<u>7,252,192</u>	<u>17,341,746</u>	<u>2,390,793</u>	<u>26,984,731</u>	<u>2,210,999</u>
DEFERRED OUTFLOW OF RESOURCES	-	-	-	-	-
LIABILITIES					
Current liabilities:					
Accounts payable	37,024	52,726	46,307	136,057	79,000
Accrued interest payable	-	6,887	-	6,887	-
Compensated absences payable	-	-	8,424	8,424	159,811
Current portion of long-term debt	-	279,539	-	279,539	-
Total current liabilities	<u>37,024</u>	<u>339,152</u>	<u>54,731</u>	<u>430,907</u>	<u>238,811</u>
Long-term debt, net of current portion					
Notes and contracts payable	-	1,742,280	-	1,742,280	-
Other postemployment benefits	<u>317,215</u>	<u>411,764</u>	<u>93,224</u>	<u>822,203</u>	<u>-</u>
Total non-current liabilities	<u>317,215</u>	<u>2,154,044</u>	<u>93,224</u>	<u>2,564,483</u>	<u>-</u>
Total liabilities	<u>354,239</u>	<u>2,493,196</u>	<u>147,955</u>	<u>2,995,390</u>	<u>238,811</u>
DEFERRED INFLOW OF RESOURCES	-	-	-	-	-
NET POSITION					
Net investment in capital assets	5,222,525	10,803,237	1,077,423	17,103,185	1,309,637
Restricted for debt service	-	359,816	-	359,816	-
Unrestricted	<u>1,675,428</u>	<u>3,685,497</u>	<u>1,165,415</u>	<u>6,526,340</u>	<u>662,551</u>
Total net position	<u>\$ 6,897,953</u>	<u>\$ 14,848,550</u>	<u>\$ 2,242,838</u>	<u>\$23,989,341</u>	<u>\$ 1,972,188</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LA GRANDE, OREGON
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO THE STATEMENT OF NET POSITION
June 30, 2016

Net position - total enterprise funds	\$ 23,989,341
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Amounts reported for business-type activities in the Statement of Net Position are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Statement of Net Position, but a portion of the residual balance is attributed to charges paid from the Business-type Activities.

<u>422,978</u>

Net position of business - type activities	<u><u>\$ 24,412,319</u></u>
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CITY OF LA GRANDE, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Type Activities - Internal Service Funds
	Water Fund	All Sewer Funds	Other Enterprise Funds	Total	
OPERATING REVENUES					
Charges for services	\$ 2,811,961	\$ 3,199,513	\$ 208,126	\$ 6,219,600	\$ 2,909,884
Licenses and fees	-	-	610,108	610,108	-
Miscellaneous	96,937	11,275	15,193	123,405	1,033
TOTAL OPERATING REVENUES	<u>2,908,898</u>	<u>3,210,788</u>	<u>833,427</u>	<u>6,953,113</u>	<u>2,910,917</u>
OPERATING EXPENSES					
Personal services	461,388	642,031	290,550	1,393,969	2,567,382
Materials and services	1,400,552	1,091,563	320,206	2,812,321	204,888
Depreciation	350,234	582,839	48,411	981,484	215,112
TOTAL OPERATING EXPENSES	<u>2,212,174</u>	<u>2,316,433</u>	<u>659,167</u>	<u>5,187,774</u>	<u>2,987,382</u>
OPERATING INCOME (LOSS)	<u>696,724</u>	<u>894,355</u>	<u>174,260</u>	<u>1,765,339</u>	<u>(76,465)</u>
NON-OPERATING INCOME (EXPENSES)					
Interest on investments	10,820	26,869	8,752	46,441	4,417
Interest expense	-	(96,221)	-	(96,221)	-
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>10,820</u>	<u>(69,352)</u>	<u>8,752</u>	<u>(49,780)</u>	<u>4,417</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	707,544	825,003	183,012	1,715,559	(72,048)
CAPITAL CONTRIBUTIONS					
Capital asset transfers	-	-	241,748	241,748	42,900
TRANSFERS					
Transfers In	-	1,140,779	110,000	1,250,779	-
Transfers out	(178,375)	(829,154)	(155,000)	(1,162,529)	-
CHANGE IN NET POSITION	529,169	1,136,628	379,760	2,045,557	(29,148)
NET POSITION, Beginning	<u>6,368,784</u>	<u>13,711,922</u>	<u>1,863,078</u>	<u>21,943,784</u>	<u>2,001,336</u>
NET POSITION, Ending	<u>\$ 6,897,953</u>	<u>\$ 14,848,550</u>	<u>\$ 2,242,838</u>	<u>\$ 23,989,341</u>	<u>\$ 1,972,188</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LA GRANDE, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Change in net position - total enterprise funds	\$ 2,045,557
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Amounts reported for business-type activities in the Statement of Activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of the internal service funds are allocated to business - type activities.

(47,999)

Change in net position of business - type activities	<u><u>\$ 1,997,558</u></u>
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CITY OF LA GRANDE, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Fund	All Sewer Funds	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,897,041	\$ 3,179,590	\$ 835,131	\$6,911,762	\$ 1,033
Receipts from interfund services provided	-	-	-	-	2,909,885
Payments to suppliers	(371,776)	(404,299)	(245,671)	(1,021,746)	(1,010,274)
Payments to employees	-	-	(193,016)	(193,016)	(1,574,660)
Payments for interfund services used	(1,459,902)	(1,299,209)	(146,055)	(2,905,166)	(178,099)
Net cash provided from (used by) operating activities	<u>1,065,363</u>	<u>1,476,082</u>	<u>250,389</u>	<u>2,791,834</u>	<u>147,885</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	1,140,779	110,000	1,250,779	-
Transfers out	(178,375)	(829,154)	(155,000)	(1,162,529)	-
Net cash provided from (used by) non-capital financing activities	<u>(178,375)</u>	<u>311,625</u>	<u>(45,000)</u>	<u>88,250</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	-	-	-
Acquisition of capital assets	(366,030)	(511,381)	(49,991)	(927,402)	(38,284)
Principal paid on long-term obligations	-	(269,133)	-	(269,133)	-
Interest paid on long-term obligations	-	(96,646)	-	(96,646)	-
Net cash provided from (used by) capital and related financing activities	<u>(366,030)</u>	<u>(877,160)</u>	<u>(49,991)</u>	<u>(1,293,181)</u>	<u>(38,284)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>10,820</u>	<u>26,869</u>	<u>8,752</u>	<u>46,441</u>	<u>4,417</u>
Net cash provided (used) by investing activities	<u>10,820</u>	<u>26,869</u>	<u>8,752</u>	<u>46,441</u>	<u>4,417</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	531,778	937,416	164,150	1,633,344	114,018
CASH AND CASH EQUIVALENTS, Beginning	<u>824,041</u>	<u>3,178,990</u>	<u>1,122,181</u>	<u>5,125,212</u>	<u>744,950</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,355,819</u>	<u>\$ 4,116,406</u>	<u>\$ 1,286,331</u>	<u>\$6,758,556</u>	<u>\$ 858,968</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LA GRANDE, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Fund	All Sewer Funds	Other Enterprise Funds	Totals	
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities					
Operating income (loss)	\$ 696,724	\$ 894,355	\$ 174,260	\$1,765,339	\$ (76,465)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	350,234	582,839	48,411	981,484	215,112
(Increase) decrease in assets:					
Receivables	(11,857)	(31,198)	1,710	(41,345)	-
Prepaid items	-	-	-	-	1,278
Inventories	(16,888)	1,769	-	(15,119)	(260)
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	5,357	(25,769)	20,275	(137)	14,456
Compensated absences payable	-	-	(7,575)	(7,575)	(6,236)
Other postemployment benefits	41,793	54,086	13,308	109,187	-
Net cash provided from operating activities	<u>\$ 1,065,363</u>	<u>\$ 1,476,082</u>	<u>\$ 250,389</u>	<u>\$2,791,834</u>	<u>\$ 147,885</u>
NON-CASH CAPITAL FINANCING ACTIVITIES					
Capital asset transfer	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,748</u>	<u>\$ 241,748</u>	<u>\$ 42,900</u>

The notes to the basic financial statements are an integral part of this statement.



NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LA GRANDE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of La Grande, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the Mayor and six Council members, comprises the legislative branch of the City. Individual departments are under the direction of the City Manager, who is appointed by the City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criterion the City is a primary government with the following includable component unit.

La Grande Urban Renewal Agency

The Agency was formed on November 17, 1999 for the purpose of assisting in the economic development of the City of La Grande and is responsible for the urban growth and development within its boundaries. The Agency's governing body consists of the Mayor and City Council members. The City is required to certify to the County Assessor any incremental taxes to be levied for the benefit of the Agency. Since the City Council acts as its governing board, it has been included as a blended component unit in the financial statements. Complete financial statements for the Agency may be obtained at the City's administrative offices at 1000 Adams Avenue, La Grande, Oregon 97850.

B. Government – Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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

For Governmental Funds, funds are funded by a variety of resources, which include Restricted, Committed, Assigned, and Unassigned sources. Unless specifically tracked, expenditures are assumed to begin with Restricted, Committed, Assigned, and lastly, Unassigned.

For Proprietary Funds, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Urban Renewal General Fund* accounts for the primary operating activity for the Urban Renewal Agency. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Capital Equipment and Improvement Fund* accounts for capital construction projects of the City funded primarily by grant revenues.

The *Urban Renewal Debt Fund* accounts for revenue specifically reserved for Urban Renewal debt service.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operation and maintenance of the water system.

The *Sewer Funds* account for the operating and maintenance of the sewer system.

The City also includes the following fund types as other governmental funds:

Special revenue funds account for revenue derived from specific taxes or other revenue sources, which are legally restricted or committed to finance particular functions or activities.

Capital projects funds account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other capital assets. Capital Project Funds exclude those types of capital related outflows financed by proprietary funds.

D. Assets, Liabilities and Equity

1. Cash, Cash Equivalents, and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term investments with original maturities of three months or less from the date of acquisition.

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2016, based on market prices. The individual fund's portion of the pool's fair value is presented as cash and cash equivalents. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the ending balance of each participating fund.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund

receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. An allowance for uncollectible accounts has been established for the General, Street Maintenance, Water, Sewer, and Storm Utility and represents the portion of receivables not expected to be collected.

3. Inventories and Prepaid Expenses

Inventories are valued at estimated average cost value using the first-in/first-out (FIFO) method in the Water, Sewer, and Street & Road funds. Expenses are recognized when the inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, land, land improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Infrastructure assets include the City’s street and road system. GAAP allows governments to use a modified approach for reporting infrastructure assets. This modified approach requires the government to manage its eligible infrastructure using an asset management system and to document that the eligible infrastructure assets are being preserved at or above a condition level established and disclosed by the government. The City has elected to use the modified approach for reporting its infrastructure assets. Using a pavement management system, the City has inventoried all City streets, assigned a condition, and arrived at an overall weighted composite index for all streets. The pavement management system allows the City to calculate a replacement cost for all functional classes of streets using linear feet. The total replacement cost was deflated to estimated historical cost figures using a historical construction cost index for the original estimated date of construction. The costs of maintenance and preservation that do not add to the asset’s capacity or serviceability are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Life</u>
Buildings	5 – 50 years
Land Improvements	10 – 50 years
Equipment	5 – 30 years
Water & Sewer Systems	5 – 50 years

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances and comp time. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The city accrues a liability for compensated absences, which meet the following criteria: (1) the City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees services already rendered, (2) the obligation related to rights that vest or accumulate, (3) payment of the compensation is probable, (4) the amount can be reasonably estimated. In accordance with the above criteria, the City has accrued a liability for 100% of vacation pay which has been earned, but not taken, by City employees.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time permanent employees to specified maximums.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The constraints are defined as follows:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – reported when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Assigned - resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City Council has authorized the City Manager or his designee to use that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

Unassigned – the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources.

9. Restricted Net Position

Restrictions on net position that are imposed either by creditors, grantors, laws or other regulations, or by enabling legislation are reported as restricted net position.

10. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

E. Pending Accounting Pronouncements

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The scope of the statement addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement is effective for fiscal years beginning after June 15, 2017 and the effect on the City's financial statements has not yet been determined.

The GASB issued Statement No. 77, *Tax Abatement Disclosures* in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 will be effective for the City, fiscal year ending June 30, 2017.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds and the General fund. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. The General fund budgets interfund reimbursements of expenses from other funds as revenue and transfers in, which is not consistent with GAAP. For GAAP reporting, \$891,293 was eliminated from revenues/ transfers and the corresponding reimbursed expenditures. Transfers out representing the expenditure reimbursements were reclassified to expenditures in the Street & Road Fund, 911 Emergency Fund, Water Fund, Sewer Fund, and Building Inspections Fund to be consistent with GAAP. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Management develops budget recommendations through early spring with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds, which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the department level for the General Fund. For all other funds, the level of budgetary control is established at the function level (Public Works Services, Grants and Donations, Building Inspection Services and 911 Emergency Services), capital outlay, operating contingency, interfund transfers, and debt service.

Unexpected additional resources may be added to the budget and appropriated for expenditure by using a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain City Council authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2016, there were no supplemental budgets adopted and one appropriation transfer. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

B. Excess of Expenditures over Appropriations

There were no expenditures that exceeded appropriations for the 2015-2016 budget.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2016. If bank deposits at year-end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists.

Oregon Revised Statutes Chapter 295, requires depository institutions to pledge a percentage of their uninsured public fund deposits. The percentage required to be pledged depends on how well the depository institution is capitalized. A well-capitalized institution is required to pledge collateral valued at least 10% of their quarter-end public fund deposits, while adequately capitalized and undercapitalized bank depositories are required to pledge collateral valued at 110% of their uninsured public fund deposits. Public officials are no longer required to request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, they are required to ensure the institutions holding deposits have pledged the appropriate amount of collateral and are approved by the Office of the State Treasurer (OST). Public officials are also required to report all bank depositories in which they deposit public funds to the OST.

The City's deposits are comprised of bank demand deposits. For the fiscal year ended June 30, 2016, the carrying amount for the City's deposits was \$395,680 and the bank balance was \$706,865. All deposits are held in the name of the City. Of the bank balances \$250,000 was covered by federal depository insurance. The remaining \$456,865 was collateralized under ORS 295.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

Investments. The City of La Grande has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

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

Credit Risk. State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

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

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

Investments held by the City at June 30, 2016 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 17,283,699
Less amounts classified as cash equivalents			<u>(17,283,699)</u>
Total Investments			<u>\$ -</u>

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

Cash on hand	\$ 1,200
Carrying amounts of deposits	395,680
Local Government Investment Pool	17,283,699
Total cash and cash equivalents	<u>\$ 17,680,579</u>
Funds:	
<u>Governmental Activities</u>	
General	\$ 3,124,456
Urban Renewal General	1,252,174
Capital Equipment and Improvement	2,984,779
Urban Renewal Debt	589,447
Other Governmental Funds	2,112,197
Internal Service funds	858,968
Total Governmental Activities	<u>10,922,021</u>
<u>Business-Type Activities</u>	
Water	1,355,821
All Sewer Funds (\$359,816 restricted)	4,116,406
Other Enterprise Funds	1,286,331
Total Business-Type Activities	<u>6,758,558</u>
Total cash and cash equivalents	<u>\$ 17,680,579</u>

B. Receivables

Receivables as of fiscal year end for the governmental activities individual major funds, and non-major funds in the aggregate are as follows:

	General	URA General	Capital Equipment & Improvement	URA Debt	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 407,657	\$ -	\$ -	\$ 109,872	\$ -	\$ 517,529
Accounts	397,156	-	-	-	56,123	453,279
Intergovernmental	79,821	-	-	-	69,042	148,863
Fines	498,870	-	-	-	-	498,870
Assessments	-	-	75,475	-	-	75,475
Notes	-	647,432	-	-	-	647,432
	<u>1,383,504</u>	<u>647,432</u>	<u>75,475</u>	<u>109,872</u>	<u>125,165</u>	<u>2,341,448</u>
Less: Allowance for doubtful accounts	(345,067)	-	-	-	(2,048)	(347,115)
Total	<u>\$ 1,038,437</u>	<u>\$ 647,432</u>	<u>\$ 75,475</u>	<u>\$ 109,872</u>	<u>\$ 123,117</u>	<u>\$ 1,994,333</u>

Receivables as of June 30, 2016 for the business-type activities individual major funds are as follows:

	Water	All Sewer	Other Enterprise Funds	Total Business-Type Activities
Accounts	\$ 413,291	\$ 407,507	\$ 28,063	\$ 848,861
Less: Allowance for doubtful accounts	<u>(44,074)</u>	<u>(43,662)</u>	<u>(1,024)</u>	<u>(88,760)</u>
Total Business-type Activities	<u>\$ 369,217</u>	<u>\$ 363,845</u>	<u>\$ 27,039</u>	<u>\$ 760,101</u>

Uncollected property taxes in governmental funds are reported on the statement of net position as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Union County, and remittance to the City is made at periodic intervals.

For the fiscal year 2015-2016, the City levied property taxes in the net amount of \$4,267,594 after reductions for offsets and increases for additional taxes and penalties. The tax rate for the fiscal year was \$7.4392, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2015 was \$678,695,656. The La Grande Urban Renewal Agency, a blended component unit of the City, levied taxes at its maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$1,394,833.

The Urban Renewal Agency has a note receivable of \$150,000 related to the funding provided towards the purchase of Liberty Theatre. The loan accrues interest at 5.5% but principal and interest can be forgiven if development requirements are met within 7 years of the initial loan disbursement in August of 2011.

The Urban Renewal Agency extended a loan agreement to establish a new grocery store for a maximum of \$500,000. The first \$457,689 was disbursed during the year and an additional \$39,743 is being held as retainage on the project. The retainage and final draw of \$2,568 are expected to be paid in the next fiscal year. The loan accrues interest at 5% compound annually and is secured by real property. Loan principal and interest can be forgiven if the hours of operations and job creation/retention requirements are met over a maximum 10-year performance life.

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary, in most cases. The City issued assessments under reimbursement agreements and not all agreements have been signed or formally agreed upon.

An allowance for doubtful accounts has been established for ambulance receivables, fines, and utility receivables. Other accounts and intergovernmental receivables are considered fully collectible. Accordingly, no provision for estimated uncollectible accounts has been established.

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletion/ Transfer	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 855,500	\$ 24,268	\$ -	\$ 879,768
Construction in progress	-	236,669	-	236,669
Infrastructure	42,177,336	-	-	42,177,336
Total capital assets, not being depreciated	43,032,836	260,937	-	43,293,773
Capital assets, being depreciated:				
Land Improvements	6,041,177	-	-	6,041,177
Buildings	11,785,346	-	(20,792)	11,764,554
Equipment	8,702,350	640,288	(302,415)	9,040,223
Total capital assets, being depreciated	26,528,873	640,288	(323,207)	26,845,954
Accumulated depreciation for:				
Land Improvements	(3,213,020)	(322,494)	(61)	(3,535,575)
Buildings	(3,785,474)	(278,628)	20,518	(4,043,584)
Equipment	(5,322,764)	(488,212)	271,609	(5,539,367)
Total accumulated depreciation	(12,321,258)	(1,089,334)	292,066	(13,118,526)
Total capital assets, being depreciated, net	14,207,615	(449,046)	(31,141)	13,727,428
Governmental activities capital assets, net	\$ 57,240,451	\$ (188,109)	\$ (31,141)	\$ 57,021,201

Depreciation expense for governmental activities is charged to governmental functions as follows:

Governmental activities

General government	\$ 20,618
Police Department	90,494
Fire Department	164,649
Community Development	196,868
Public Services	400,422
Street & Road Maintenance	216,284
Total depreciation expense - governmental activities	<u>\$ 1,089,334</u>

Included in the Governmental Activities Street & Road Maintenance depreciation expense is depreciation expense reported for the Internal Service Funds – Motor Pool Fund of \$214,505.

Capital asset activity for the business-type activities for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion/ Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 276,213	\$ -	\$ 3	\$ 276,216
Total capital assets, not being depreciated	<u>276,213</u>	<u>-</u>	<u>3</u>	<u>276,216</u>
Capital assets, being depreciated:				
Buildings	117,675	-	-	117,675
Equipment	277,581	-	(25,264)	252,317
Water & Sewer System	<u>33,735,788</u>	<u>1,169,151</u>	<u>-</u>	<u>34,904,939</u>
Total capital assets, being depreciated	<u>34,131,044</u>	<u>1,169,151</u>	<u>(25,264)</u>	<u>35,274,931</u>
Less accumulated depreciation for:				
Buildings	(46,288)	(5,731)	-	(52,019)
Equipment	(225,362)	(21,885)	25,250	(221,997)
Water & Sewer System	<u>(15,198,259)</u>	<u>(953,868)</u>	<u>-</u>	<u>(16,152,127)</u>
Total accumulated depreciation	<u>(15,469,909)</u>	<u>(981,484)</u>	<u>25,250</u>	<u>(16,426,143)</u>
Total capital assets, being depreciated, net	<u>18,661,135</u>	<u>187,667</u>	<u>(14)</u>	<u>18,848,788</u>
Business-type activities capital assets, net	<u>\$ 18,937,348</u>	<u>\$ 187,667</u>	<u>\$ (11)</u>	<u>\$ 19,125,004</u>

Depreciation expense for the business-type activities was charged to functions/programs of the City as follows:

Business-type activities

Water	\$ 350,234
All Sewer	582,839
Storm Sewer	43,043
Building Inspection	<u>5,368</u>
Total depreciation expense - business-type activities	<u>\$ 981,484</u>

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the period when the City recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenues from property taxes, accounts receivable, fines, assessments, and notes are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position.

The governmental funds report unavailable revenues from the following sources:

	General	Urban Renewal General	Capital Equipment & Improvement	Urban Renewal Debt	Other Governmental Funds	Totals
Property taxes	\$ 370,620	\$ -	\$ -	\$ 99,540	\$ -	\$ 470,160
Accounts	58,462	-	-	-	18,805	77,267
Fines	158,324	-	-	-	-	158,324
Assessments	-	-	75,475	-	-	75,475
Notes	-	647,432	-	-	-	647,432
	<u>\$ 587,406</u>	<u>\$ 647,432</u>	<u>\$ 75,475</u>	<u>\$ 99,540</u>	<u>\$ 18,805</u>	<u>\$ 1,428,658</u>

E. Long-term obligations

1. Loans Payable – Governmental Activities

On June 8, 2006 the City entered into a loan contract with Oregon Economic Development. This loan was for the construction of the La Grande Business & Technology Park. The total loan contract was for \$2,058,286. Principal and interest at 3.52% annually was due in one lump-sum payment 30 months after the first draw. The first draw was received on September 12, 2007, resulting in a maturity date of March 12, 2010. The final draw of \$227,281 was received on February 26, 2008. A lump payment of \$1,000,000 was made on April 23, 2009 that consisted of \$905,793 of principle and \$94,207 of accrued interest. The remaining balance of \$1,152,493 was refinanced on May 27, 2009. The loan is due in annual installments beginning on December 1, 2009 for 25 years at variable interest rates

ranging from 3% to 5.25%. Future maturities of the Oregon Economic Development loan are as follows:

Year Ended June 30,	Principal	Interest
2017	\$ 36,135	\$ 44,015
2018	36,381	42,570
2019	36,636	41,114
2020	41,918	39,557
2021	42,229	37,671
2022-2026	236,372	158,678
2027-2031	297,584	94,642
2032-2034	212,963	20,525
	<u>\$ 940,218</u>	<u>\$ 478,772</u>

2. Bonds Payable – Governmental Activities

On February 21, 2012 the City issued bonds under the Local Oregon Capital Asset Program sponsored by the League of Oregon Cities. These bonds were used for the funding of the “Big H” streetscape project. The total certificates of participation issued was \$1,035,000. Interest only payments were required until December 1, 2013, after which the loan is due in annual installments of principal and semi-annual installments of interest for 20 years. Interest is at a variable rate ranging from 1% to a maximum average interest rate of 3.5%.

In February 2015 the City issued bonds under the Local Oregon Capital Asset Program sponsored by the League of Oregon Cities. These bonds were used for the funding of the Adams Avenue Streetscape Project. The total certificates of participation issued was \$1,550,000. An interest only payment is due December 1, 2015, after which the loan is due in annual installments of principal and semi-annual installments of interest for 19 years. Interest is at a fixed rate for each maturity ranging from 2% to a maximum average interest rate of 3.5%.

Future maturities of the bonds payable are as follows:

Year Ended June 30,	Principal	Interest
2017	\$ 110,000	\$ 74,368
2018	110,000	71,512
2019	115,000	69,525
2020	115,000	67,236
2021	115,000	64,790
2022-2026	645,000	268,125
2027-2031	750,000	150,838
2032-2034	450,000	27,213
	<u>\$2,410,000</u>	<u>\$ 793,607</u>

3. Loans Payable – Business-Type Activities – Sewer Fund

The Sewer loan payable is due in semi-annual installments of \$177,162 for 20 years including interest at 3.83% and is secured by the Net Operating Revenue of the City. Future maturities of the loan are as follows:

Year Ended June 30,	Principal	Interest
2017	\$ 279,539	\$ 74,785
2018	290,348	63,976
2019	301,576	52,748
2020	313,236	41,088
2021	325,348	28,976
2022-2023	511,772	19,724
	<u>\$ 2,021,819</u>	<u>\$ 281,297</u>

4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Oregon Economic Development	\$ 976,117	\$ -	\$ 35,899	\$ 940,218	\$ 36,135
Urban Renewal Bond	2,505,000	-	95,000	2,410,000	110,000
Plus: Deferred Premium	27,351	-	1,501	25,850	-
Net pension liability	-	1,744,766	-	1,744,766	-
Net OPEB Obligation	<u>2,017,219</u>	<u>315,763</u>	<u>-</u>	<u>2,332,982</u>	<u>-</u>
Governmental activity Long-term obligations	<u>\$ 5,525,687</u>	<u>\$ 2,060,529</u>	<u>\$ 132,400</u>	<u>\$ 7,453,816</u>	<u>\$ 146,135</u>
Business - type activities					
Sewer Loan Payable	\$ 2,290,952	\$ -	\$ 269,133	\$ 2,021,819	\$ 279,539
Net OPEB Obligation	<u>713,016</u>	<u>109,187</u>	<u>-</u>	<u>822,203</u>	<u>-</u>
Business-type activity Long-term obligations	<u>\$ 3,003,968</u>	<u>\$ 109,187</u>	<u>\$ 269,133</u>	<u>\$ 2,844,022</u>	<u>\$ 279,539</u>

F. Fund Balance Classifications

Fund balances by classification for the year ended June 30, 2016 were as follows:

	General Fund	Urban Renewal General	Capital Equipment & Improvement	Urban Renewal Debt	Non-major Governmental Funds	Total Governmental Funds
Fund Balance						
Nonspendable:						
Prepaid Items	\$ 5,489	\$ -	\$ -	\$ -	\$ -	\$ 5,489
Inventory	-	-	-	-	57,018	57,018
Restricted for:						
911 Dispatch Services	-	-	-	-	510,104	510,104
System Development	-	-	-	-	171,221	171,221
Highways and Streets	-	-	-	-	696,173	696,173
Various Grants	-	-	-	-	29,125	29,125
Urban Renewal Projects	-	1,173,047	-	599,779	-	1,772,826
Assigned to:						
System Development - Governmental	-	-	477,472	-	543,038	1,020,510
System Development - Water	-	-	612,551	-	-	612,551
System Development - Sewer	-	-	1,893,067	-	-	1,893,067
System Development - Storm	-	-	-	-	-	-
Various Activities	20,000	-	-	-	196,831	216,831
Unassigned	3,235,894	-	-	-	-	3,235,894
Total Fund Balance	<u>\$3,261,383</u>	<u>\$ 1,173,047</u>	<u>\$ 2,983,090</u>	<u>\$599,779</u>	<u>\$ 2,203,510</u>	<u>\$ 10,220,809</u>

G. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers into the business-type activities from the governmental activities for \$329,998.

A reconciliation of transfers in the fund financial statements is as follows:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 3,500	\$ 58,000
Urban Renewal General	1,266,001	-
Capital Equipment and Improvement	400,000	500,000
Urban Renewal Debt	-	1,266,001
Other Governmental	219,750	153,500
Business-type activities:		
Water	-	178,375
All Sewer	1,140,779	829,154
Other Enterprise	110,000	155,000
	<u>\$ 3,140,030</u>	<u>\$ 3,140,030</u>

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. Other transfers are to provide resources to pay debt service and to provide funds for projects.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; and errors and omissions for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

B. Defined Contribution Pension Plan

The City of La Grande provides pension benefits for all of its full-time employees (as defined by labor contract) through a defined contribution plan (with the exception of police officers and firefighters). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan assets are not insured. Employees are eligible to participate six months from the date of employment. Effective June 21, 2012, the City contributes 16% of management's salaries and 13% of all other salaries. Employees contribute 1% of their salaries to the retirement plan. The City's contributions for each employee are fully vested after five years of continuous service. The Principal Mutual Life Insurance company administers this plan. Contribution rates and plan amendments are approved by the City Council after negotiation with the applicable union groups. The total pension plan contributions for the fiscal year ended June 30, 2016 amounted to \$541,208. Of this amount, the employees paid \$35,189 and \$506,019 was paid by the City.

C. Defined Benefit Pension Plan – Public Employees Retirement System

Plan Description

Police and fire employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost sharing, multiple employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003, OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

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

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13

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

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

Death Benefits

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

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

Disability Benefits

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

Benefit Changes

After Retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer

account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$373,147, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 15.65% for Tier One/Tier Two Police and Fire, 10.38% for OPSRP Pension Program Police and Fire Members, and 6% for the OPSRP Individual Account Program.

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

At June 30, 2016, the City reported a liability of \$1,744,766 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension 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 entities, actuarially determined. At June 30, 2016, the City's proportion was 0.03038888 percent, which increased from its proportion of 0.02846254 percent measured as of June 30, 2014.

For the year ended June 30, 2016, the City's recognized pension expense (income) of \$1,722,791. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,087	
Net difference between projected and actual earnings on investments	-	\$ 365,742
Changes in proportionate share.	33,073	-
Difference's between employer contributions and employer's proportionate share of system contributions	23,094	37,733
Contributions subsequent to the measurement date	289,963	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 440,217</u>	<u>\$ 403,475</u>

\$289,963 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (147,769)
2018	(147,769)
2019	(147,769)
2020	181,955
2021	8,131
Total	<u>\$ (253,221)</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015 through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

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

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments	Blend 2.00% COLA and grade COLA
Mortality	<p>Health retirees and beneficiaries: RP- 2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates, that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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

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/Strategy	Assumed Asset Allocation		
	Low Range	High Range	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			100.0%

Asset Class	Target Allocation	Compounded 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 Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	

Assumed Inflation - Mean

2.75%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long term expected return on the plan investments may be used to discount liabilities to the extent that the plans Fiduciary Net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit

payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount rate

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

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

The following presents the CITY's proportionate share of the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% (Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$4,210,927	\$1,744,766	\$ (333,560)

Pension plan fiduciary net position

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

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms was reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes in benefit terms subsequent to the measurement date of June 30, 2015.

D. Other post-employment benefits

City of La Grande Retiree Health Plan

Explicit Employer Benefits

Eligibility. Retirees meeting the following criteria are eligible:

- Retired from active service with at least 20 years of continuous service.
- Hired prior to the following dates:
 - Firefighters – July 1, 2001
 - Continuous service of 20 years, age 50, receives 3 years of medical coverage.
 - Continuous service of 25 years, age 55, receives 5 years of medical coverage.
 - Management – July 1, 2005
 - Continuous service of 20 years, receives 3 years of medical coverage.
 - Continuous service of 25 years, receives 5 years of medical coverage.
 - General Employees – July 1, 2002
 - Continuous service of 20 years, receives 3 years of medical coverage.
 - Continuous service of 25 years, receives 5 years of medical coverage.
 - Police – July 1, 2002
 - Continuous service of 20 years, age 50, receives 3 years of medical coverage.
 - Continuous service of 25 years, age 55, receives 5 years of medical coverage.
- Continuing coverage under the Employer's benefit programs through CIS

Plan Description. Retirees under age 65 and their spouses are eligible to receive the same medical and dental coverage as active employees. The City pays 90% of the retiree and spouse medical and dental premiums. The co-pays and deductibles under the medical and dental coverage are the responsibility of the retiree. A surviving spouse of a deceased retiree may continue coverage until age 65 if the retired member had at least 30 years of continuous service. Coverage ends when the spouse is eligible for another employer-paid health plan, a

new spouse's employer-paid health plan, or Medicare. All coverage ends when the retiree turns 65.

Summary of Significant Accounting Policies. The plan is accounted for in the General Fund, which is reported on the modified accrual basis of accounting. The City's contributions are recognized when due and a formal agreement to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are a part of the City's investment pool, reported at fair value. Because the City has not transferred the assets to an insurance trust, the actuarial value of assets is zero.

Implicit Employer Subsidy

Eligibility. All employees of the City retiring from active service with a pension benefit payable under Oregon PERS or another employer-sponsored retirement plan. The City's defined contribution retirement plan allows retirement at age 55 with 5 years of service.

Plan Description. Oregon Revised Statutes 243.303 requires that the City provide retirees with group healthcare insurance from the date of retirement to age 65, at the same rate provided to current employees. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB purposes.

Annual OPEB Cost and Net OPEB Obligation

Funding Policy. The City collects insurance premiums from all retirees each month. The City then pays healthcare insurance premiums for all retirees at the appropriate blended rate for each family classification. The City had 13 retired members and 105 active members in its plan on August 1, 2014, the date of its most recent actuarial valuation. The annual required contribution (ARC) to the plan includes the employer's pay-as-you-go amount and an additional amount calculated to prefund future benefits as actuarially determined.

The City has elected to not prefund the actuarially determined annual required contribution (ARC). The City funds the benefits on a pay-as-you-go basis, with those payments totaling approximately \$97,000 for the year ended June 30, 2016. Since the total annual contribution in the current year was less than the ARC, a liability is presented on the City's Statement of Net Position.

The City's annual other post-employment benefit cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (UAAL) over a period of not more than 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

Annual required contribution	\$ 817,016
Interest on prior net OPEB obligation	95,558
Adjustment to annual required contribution	<u>(328,287)</u>
Annual OPEB cost (expense)	584,287
Explicit benefit payments	(96,654)
Implicit benefit payments	<u>(62,684)</u>
Increase in net OPEB obligation	424,949
Net OPEB obligation - beginning of year	<u>2,730,235</u>
Net OPEB obligation - end of year	<u>\$ 3,155,184</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Cumulative Net OPEB Obligation</u>
6/30/14	\$ 683,364	27%	\$ 2,244,213
6/30/15	678,982	28%	2,730,235
6/30/16	584,287	19%	3,155,184

Funded Status and Funding Progress. As of August 1, 2014, the most recent actuarial valuation date, the plan was considered unfunded. The actuarial accrued liability for benefits was \$4,796,079, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,796,079.

The actuarial valuation of this plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to periodic revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress shown below presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (AAL) (b)</u>	<u>(Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Percentage of Covered Payroll (b-a/c)</u>
08/01/10	\$ -	\$ 5,323,030	\$ 5,323,030	0%	\$ 5,717,541	93%
08/01/12	-	4,753,907	4,753,907	0%	5,800,812	82%
08/01/14	-	4,796,079	4,796,079	0%	5,646,459	85%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the

historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial results consistent with the long-term perspective of the calculations.

Assumptions used in calculating the actuarial liabilities associated with the City's plan include a general inflation rate of 2.75%, a 3.5% investment return and discount rate; and retirement rates used by Oregon PERS for its December 31, 2013 actuarial valuation. Health care cost trends assume an increase in health costs of 5.75% in the first year. In future years the medical and vision cost trend varies between 6.75% and 5% due to the timing of the excise tax scheduled to affect health care benefits beginning in 2018. The trend then settles to an ultimate rate of 4.75%. Dental costs are assumed to increase 4.5% in all future years. The Projected Unit Credit Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability. Amortization of the UAAL is calculated as a level dollar amount over an open period of 10 years. "Open" means the amortization amount is recalculated at each valuation date using the current UAAL.

Retirement age for active employees was estimated based on PERS retirement rates. The marital status of members at the calculation date was assumed to continue through retirement. Non-group-specific age-based turnover data from GASB 45 were used as the basis for assigning a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

GASB has issued new statements related to OPEB plans that will have an effect on the assumptions, method of calculation, and reporting for OPEB liabilities. The requirements that effect the calculations at the plan level will be effective for fiscal years beginning after June 15, 2016 and the requirements that effect reporting at the City's level will be effective for fiscal years beginning after June 15, 2017. The effect has not yet been determined, but the OPEB liability reported will increase upon implementation of the new statements.

Oregon Public Employees Retirement System – Retirement Health Insurance Account (RHIA)

Plan Description. As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution (currently \$60 per month) toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy. Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive

this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating public employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.53% of annual covered payroll for Tier 1 and Tier 2 employees and 0.45% for OPSRP employees. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA the year ended June 30, 2016 are included in the PERS annual pension amount.

E. Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

On April 2, 2012, the La Grande Urban Renewal Agency was deeded a commercial building located at 1106 Adams Avenue, La Grande, Oregon. The property was in need of significant repairs and environmental cleanup. The Agency performed repairs and cleanup costs and the building is currently for sale.

The Agency committed funding of \$279,880 to various projects for the 2017 fiscal year along with the annual budget process.

The City has entered into an agreement with ODOT for the 20th Street Enhancement Grant to reconstruct 20th Street beginning at Adams Avenue and extending to Gekeler Lane. The City has spent \$236,669 towards the preliminary portion of the project. The main portion of the project will be completed by ODOT in the next fiscal year and will be contributed to the City on completion.

F. Subsequent Events

The City approved a resolution to establish sewer and waterline local improvements. Total costs for the sewer portion are \$20,227 and total costs for the waterline improvements are \$16,320 but they are not due until the land is developed.

The City approved allowing the City Manager to renegotiate a long-term lease with Rescue Hose Company No. 1, for the building located at 102 and 104 Elm, (Fire Museum Building) La Grande with the specific provision that Rescue Hose Company No. 1 could sublet a portion of the building to Side A Brewing for a brewery.

The URA approved funding under the revitalization Incentive Program to Side A Brewing in an amount to not exceed \$40,300 for improvements to the Fire Museum Building to accommodate their project.

The City approved allowing the City Manager to enter into agreement with Union county for an improved sanitary sewer line. The City of La Grande will contribute 37% of the actual cost not to exceed \$250,000.

REQUIRED SUPPLEMENTARY INFORMATION

RSI Disclosures for The City's Street System Based on a Condition Index
City of La Grande
June 30, 2016

Pavement Condition Index of the City of La Grande Street System

	2016	2015	2014
Gravel	100	100	100
Oil Mat	73	73	72
Concrete	99	99	99
Major Asphalt	85	84	85
Minor Asphalt	73	73	71

Comparison of Needed-to-actual Maintenance/Preservation

	2016	2015	2014	2013	2012
Gravel					
Needed	-	-	-	-	-
Actual	-	-	-	-	-
Oil Mat					
Needed	-	564,582	140,000	183,400	172,900
Actual	-	564,582	140,000	183,400	172,900
Concrete					
Needed	-	-	-	-	-
Actual	-	-	-	-	-
Major Asphalt					
Needed	-	23,600	239,472	145,106	219,437
Actual	-	23,600	239,472	145,106	219,437
Minor Asphalt					
Needed	74,402	159,411	272,170	132,495	182,041
Actual	74,402	159,411	272,170	132,495	182,041

The condition of road pavement is measured using a pavement management system. All of the streets maintained by the City are asphalt-surfaced. The pavement management system uses a measurement scale that is based on a Pavement condition Index (PCI) ranging from zero for a failed pavement to 100 for pavement in perfect condition. The City's policy is to maintain an average PCI of at least 50 for Oil Mat, 60 for Minor Asphalt, and 70 for Gravel, Concrete, and Major Asphalt. Complete condition assessments are determined every three years.

CITY OF LA GRANDE, OREGON

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION
LIABILITY (ASSET)
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.03038888%	0.02846254%	0.02846254%
City's proportionate share of the net pension liability (asset)	\$ 1,744,766	\$ (645,165)	\$ 1,452,485
City's covered-employee payroll	\$ 2,230,006	\$ 2,173,137	\$ 2,188,468
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78.24%	-29.69%	66.37%
Plan fiduciary net position as a percentage of the total pension liability	91.10%	103.60%	91.97%

CITY OF LA GRANDE, OREGON

**SCHEDULE OF CITY'S CONTRIBUTIONS TO THE
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 373,147	\$ 371,348	\$ 383,769
Contributions in relation to the contractually required contributions	<u>(373,147)</u>	<u>(371,348)</u>	<u>(383,769)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,230,006	\$ 2,173,137	\$ 2,188,468
Contributions as a percentage of covered-employee payroll	16.73%	17.09%	17.54%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

CITY OF LA GRANDE, OREGON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

Changes in Plan Provisions

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results with a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms that was not included in the net position liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes of assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at:

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

SUPPLEMENTAL INFORMATION



COMBINING STATEMENTS

Non-Major Governmental Funds

Special Revenue Funds- These funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

- *Street & Road* - accounts for activity within the City's street infrastructure.
- *Grants & Donations* – accounts for the monies received through grants and donations.
- *Street Maintenance* – accounts for costs associated with the City's street infrastructure.
- *911 Emergency* – accounts for funds generated through dispatch calls and expenses related to them.

Capital Project Funds- These funds account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from long-term obligations issued to finance capital acquisitions, improvements and development charges. Funds included in this category are:

- *General Building/Equipment Reserve* – accounts for funds related to general building and equipment repair and purchasing.

CITY OF LA GRANDE, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue				Capital Projects	
	Street & Road	Grants & Donations	Street Maintenance	911 Emergency	General Building/ Equipment Reserve	Totals
ASSETS						
Cash and cash equivalents	\$ 376,711	\$ 245,941	\$ 256,572	\$ 518,714	\$ 714,259	\$ 2,112,197
Receivables:						
Accounts	69,042	-	54,075	-	-	123,117
Inventory	57,018	-	-	-	-	57,018
 Total assets	<u>\$ 502,771</u>	<u>\$ 245,941</u>	<u>\$ 310,647</u>	<u>\$ 518,714</u>	<u>\$ 714,259</u>	<u>\$ 2,292,332</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 21,157	\$ 11,628	\$ 20,265	\$ 8,610	\$ -	\$ 61,660
Deposits	-	8,357	-	-	-	8,357
 Total liabilities	<u>21,157</u>	<u>19,985</u>	<u>20,265</u>	<u>8,610</u>	<u>-</u>	<u>70,017</u>
DEFERRED INFLOWS OF						
Unavailable revenue	-	-	18,805	-	-	18,805
FUND BALANCES						
Nonspendable	57,018	-	-	-	-	57,018
Restricted	424,596	29,125	271,577	510,104	171,221	1,406,623
Assigned	-	196,831	-	-	543,038	739,869
 Total fund balances	<u>481,614</u>	<u>225,956</u>	<u>271,577</u>	<u>510,104</u>	<u>714,259</u>	<u>2,203,510</u>
 Total liabilities, deferred inflows resources and fund balances	<u>\$ 502,771</u>	<u>\$ 245,941</u>	<u>\$ 310,647</u>	<u>\$ 518,714</u>	<u>\$ 714,259</u>	<u>\$ 2,292,332</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds				Capital Projects	
	Street & Road	Grants & Donations	Street Maintenance	911 Emergency	General Building/ Equipment Reserve	Totals
REVENUES						
Charges for services	\$ -	\$ 18,117	\$ 421,014	\$ -	\$ -	\$ 439,131
Intergovernmental	778,512	78,824	-	320,068	-	1,177,404
Contributions	-	19,348	-	-	-	19,348
Interest on investments	2,214	2,328	1,296	4,156	4,240	14,234
Miscellaneous	5,481	34,570	5,114	286	14,268	59,719
TOTAL REVENUES	<u>786,207</u>	<u>153,187</u>	<u>427,424</u>	<u>324,510</u>	<u>18,508</u>	<u>1,709,836</u>
EXPENDITURES						
Current:						
Police department	-	22,924	-	359,659	-	382,583
Fire & EMS department	-	40,731	-	-	-	40,731
Public services	-	72,953	-	-	-	72,953
Highways and streets	861,953	-	200,044	-	-	1,061,997
Capital outlay	-	95,230	-	-	83,625	178,855
TOTAL EXPENDITURES	<u>861,953</u>	<u>231,838</u>	<u>200,044</u>	<u>359,659</u>	<u>83,625</u>	<u>1,737,119</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(75,746)</u>	<u>(78,651)</u>	<u>227,380</u>	<u>(35,149)</u>	<u>(65,117)</u>	<u>(27,283)</u>
OTHER FINANCING SOURCES						
Transfers in	156,750	-	-	-	63,000	219,750
Transfers out	-	(3,500)	(150,000)	-	-	(153,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>156,750</u>	<u>(3,500)</u>	<u>(150,000)</u>	<u>-</u>	<u>63,000</u>	<u>66,250</u>
NET CHANGE IN FUND BALANCE	81,004	(82,151)	77,380	(35,149)	(2,117)	38,967
FUND BALANCE, Beginning	<u>400,610</u>	<u>308,107</u>	<u>194,197</u>	<u>545,253</u>	<u>716,376</u>	<u>2,164,543</u>
FUND BALANCE, Ending	<u>\$ 481,614</u>	<u>\$ 225,956</u>	<u>\$ 271,577</u>	<u>\$ 510,104</u>	<u>\$ 714,259</u>	<u>\$ 2,203,510</u>

See auditor's report.



COMBINING STATEMENTS

Non-Major Enterprise Funds

Enterprise Funds – Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of facilities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included in this category are:

- *Building inspection* - accounts for the City's building inspection charges and operating expenses..
- *Storm Utility* – accounts for the City's storm utility charges and operating expenses.

CITY OF LA GRANDE, OREGON
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
June 30, 2016

	Building Inspection	Storm Utility	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 903,668	\$ 382,663	\$ 1,286,331
Receivables:			
Accounts	<u>-</u>	<u>27,039</u>	<u>27,039</u>
Total current assets	<u>903,668</u>	<u>409,702</u>	<u>1,313,370</u>
Noncurrent assets:			
Capital assets:			
Depreciable assets, net of depreciation	<u>9,708</u>	<u>1,067,715</u>	<u>1,077,423</u>
Total noncurrent assets	<u>9,708</u>	<u>1,067,715</u>	<u>1,077,423</u>
Total assets	<u>913,376</u>	<u>1,477,417</u>	<u>2,390,793</u>
DEFERRED OUTFLOW OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	33,592	12,715	46,307
Compensated absences payable	<u>8,424</u>	<u>-</u>	<u>8,424</u>
Total current liabilities	<u>42,016</u>	<u>12,715</u>	<u>54,731</u>
Long-term obligations, net of current portion:			
Other postemployment benefits	<u>93,224</u>	<u>-</u>	<u>93,224</u>
Total non-current liabilities	<u>93,224</u>	<u>-</u>	<u>93,224</u>
Total liabilities	<u>135,240</u>	<u>12,715</u>	<u>147,955</u>
DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	9,708	1,067,715	1,077,423
Unrestricted	<u>768,428</u>	<u>396,987</u>	<u>1,165,415</u>
Total net position	<u><u>\$ 778,136</u></u>	<u><u>\$ 1,464,702</u></u>	<u><u>\$ 2,242,838</u></u>

CITY OF LA GRANDE, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2016

	Building Inspection	Storm Utility	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 208,126	\$ 208,126
Licenses and fees	610,108	-	610,108
Miscellaneous	14,543	650	15,193
TOTAL OPERATING REVENUES	<u>624,651</u>	<u>208,776</u>	<u>833,427</u>
OPERATING EXPENSES			
Personal services	290,550	-	290,550
Materials and services	210,806	109,400	320,206
Depreciation	5,368	43,043	48,411
TOTAL OPERATING EXPENSES	<u>506,724</u>	<u>152,443</u>	<u>659,167</u>
OPERATING INCOME (LOSS)	<u>117,927</u>	<u>56,333</u>	<u>174,260</u>
NON-OPERATING INCOME (EXPENSES)			
Interest on investments	5,586	3,166	8,752
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>5,586</u>	<u>3,166</u>	<u>8,752</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>123,513</u>	<u>59,499</u>	<u>183,012</u>
CAPITAL CONTRIBUTIONS			
Capital asset transfers	-	241,748	241,748
TRANSFERS			
Transfers In	-	110,000	110,000
Transfers out	(5,000)	(150,000)	(155,000)
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(5,000)</u>	<u>201,748</u>	<u>196,748</u>
CHANGE IN NET POSITION	118,513	261,247	379,760
NET POSITION, Beginning	<u>659,623</u>	<u>1,203,455</u>	<u>1,863,078</u>
NET POSITION, Ending	<u><u>\$ 778,136</u></u>	<u><u>\$ 1,464,702</u></u>	<u><u>\$ 2,242,838</u></u>

CITY OF LA GRANDE, OREGON
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2016

	Building Inspection	Storm Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 624,651	\$ 210,486	\$ 835,137
Payments to suppliers	(209,736)	(35,935)	(245,671)
Payments to employees	(193,016)	-	(193,016)
Payments for interfund services used	(81,282)	(64,779)	(146,061)
Net cash provided from (used by) operating activities	<u>140,617</u>	<u>109,772</u>	<u>250,389</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	110,000	110,000
Transfers out	(5,000)	(150,000)	(155,000)
Net cash provided from (used by) non-capital financing activities	<u>(5,000)</u>	<u>(40,000)</u>	<u>(45,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(49,991)	(49,991)
Net cash provided from (used by) capital and related financing activities	<u>-</u>	<u>(49,991)</u>	<u>(49,991)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	5,586	3,166	8,752
Net cash provided (used) by investing activities	<u>5,586</u>	<u>3,166</u>	<u>8,752</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141,203	22,947	164,150
CASH AND CASH EQUIVALENTS, Beginning	762,465	359,716	1,122,181
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 903,668</u>	<u>\$ 382,663</u>	<u>\$ 1,286,331</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ 117,927	\$ 56,333	\$ 174,260
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	5,368	43,043	48,411
(Increase) decrease in assets:			
Receivables	-	1,710	1,710
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	11,589	8,686	20,275
Compensated absences payable	(7,575)	-	(7,575)
Other postemployment benefits	13,308	-	13,308
Net cash provided from (used by) operating activities	<u>\$ 140,617</u>	<u>\$ 109,772</u>	<u>\$ 250,389</u>
NON-CASH CAPITAL FINANCING ACTIVITIES			
Capital asset transfer	<u>\$ -</u>	<u>\$ 241,748</u>	<u>\$ 241,748</u>

See auditor's report.

COMBINING STATEMENTS

Internal Service Funds

Internal Service Funds- These funds account for the financing services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

- *Motor Pool* - accounts for repairs and maintenance services and fuel provided exclusively to other funds and departments of the City.
- *Public Works Service*— provides for repair services provided exclusively to other funds and departments of the City.

CITY OF LA GRANDE, OREGON
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2016

	Motor Pool	Public Works Service	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 676,366	\$ 182,602	\$ 858,968
Receivables:			
Prepaid items	-	37,891	37,891
Inventories	<u>4,503</u>	<u>-</u>	<u>4,503</u>
Total current assets	<u>680,869</u>	<u>220,493</u>	<u>901,362</u>
Noncurrent assets:			
Capital assets:			
Depreciable assets, net of depreciation	<u>1,309,637</u>	<u>-</u>	<u>1,309,637</u>
Total noncurrent assets	<u>1,309,637</u>	<u>-</u>	<u>1,309,637</u>
Total assets	<u>1,990,506</u>	<u>220,493</u>	<u>2,210,999</u>
DEFERRED OUTFLOW OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	5,921	73,079	79,000
Compensated absences payable	<u>-</u>	<u>159,811</u>	<u>159,811</u>
Total current liabilities	<u>5,921</u>	<u>232,890</u>	<u>238,811</u>
DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,309,637	-	1,309,637
Unrestricted	<u>674,948</u>	<u>(12,397)</u>	<u>662,551</u>
Total net position	<u>\$ 1,984,585</u>	<u>\$ (12,397)</u>	<u>\$ 1,972,188</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2016

	Motor Pool	Public Works Service	Totals
OPERATING REVENUES			
Charges for services	\$ 517,264	\$ 2,392,620	\$ 2,909,884
Miscellaneous	1,033	-	1,033
TOTAL OPERATING REVENUES	<u>518,297</u>	<u>2,392,620</u>	<u>2,910,917</u>
OPERATING EXPENSES			
Personal services	165,590	2,401,792	2,567,382
Materials and services	204,888	-	204,888
Depreciation	215,112	-	215,112
TOTAL OPERATING EXPENSES	<u>585,590</u>	<u>2,401,792</u>	<u>2,987,382</u>
OPERATING INCOME (LOSS)	<u>(67,293)</u>	<u>(9,172)</u>	<u>(76,465)</u>
NON-OPERATING INCOME (EXPENSES)			
Interest on investments	4,417	-	4,417
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>4,417</u>	<u>-</u>	<u>4,417</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(62,876)</u>	<u>(9,172)</u>	<u>(72,048)</u>
CAPITAL CONTRIBUTIONS			
Capital asset transfers	42,900	-	42,900
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>42,900</u>	<u>-</u>	<u>42,900</u>
CHANGE IN NET POSITION	(19,976)	(9,172)	(29,148)
NET POSITION, Beginning	<u>2,004,561</u>	<u>(3,225)</u>	<u>2,001,336</u>
NET POSITION, Ending	<u><u>\$ 1,984,585</u></u>	<u><u>\$ (12,397)</u></u>	<u><u>\$ 1,972,188</u></u>

CITY OF LA GRANDE, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2016

	Motor Pool	Public Works Service	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,033	\$ -	\$ 1,033
Receipts from interfund services provided	517,265	2,392,620	2,909,885
Payments to suppliers	(192,314)	(817,960)	(1,010,274)
Payments to employees	-	(1,574,660)	(1,574,660)
Payments for interfund services used	<u>(178,099)</u>	<u>-</u>	<u>(178,099)</u>
Net cash provided from (used by) operating activities	<u>147,885</u>	<u>-</u>	<u>147,885</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	<u>(38,284)</u>	<u>-</u>	<u>(38,284)</u>
Net cash provided from (used by) capital and related financing activities	<u>(38,284)</u>	<u>-</u>	<u>(38,284)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>4,417</u>	<u>-</u>	<u>4,417</u>
Net cash provided (used by) investing activities	<u>4,417</u>	<u>-</u>	<u>4,417</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	114,018	-	114,018
CASH AND CASH EQUIVALENTS, Beginning	<u>562,348</u>	<u>182,602</u>	<u>744,950</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 676,366</u></u>	<u><u>\$ 182,602</u></u>	<u><u>\$ 858,968</u></u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ (67,293)	\$ (9,172)	\$ (76,465)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	215,112	-	215,112
(Increase) decrease in assets:			
Prepaid items	-	1,278	1,278
Inventories	(260)	-	(260)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	326	14,130	14,456
Compensated absences payable	<u>-</u>	<u>(6,236)</u>	<u>(6,236)</u>
Net cash provided from (used by) operating activities	<u><u>\$ 147,885</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 147,885</u></u>
NON-CASH CAPITAL FINANCING ACTIVITIES			
Capital asset transfers	<u><u>\$ 42,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 42,900</u></u>

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the City's General Fund and any major special revenue fund (Urban Renewal General Fund) are presented as the third of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.



**SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), BY DEPARTMENT**

▪ **General Fund**

CITY OF LA GRANDE, OREGON
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL, BY DEPARTMENT (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
EXPENDITURES				
Council and Manager	\$ 876,602	\$ 962,602	\$ 933,409	\$ 29,193
Finance and Municipal Court	554,229	554,229	495,978	58,251
Police Department	3,001,257	3,001,257	2,899,851	101,406
Fire and EMS Departments	2,318,436	2,318,436	2,171,846	146,590
Community and Economic Development/ Building Maintenance	652,488	652,488	491,433	161,055
Parks Maintenance, Aquatics, Recreation, Urban Forestry	1,105,669	1,105,669	986,557	119,112
Library	545,590	545,590	509,220	36,370
Contingency	300,000	214,000	-	214,000
TOTAL EXPENDITURES	<u>\$ 9,354,271</u>	<u>\$ 9,354,271</u>	<u>\$ 8,488,294</u>	<u>\$ 865,977</u>

**SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

Governmental Funds

Special Revenue Funds

- Street & Road
- Grants & Donations
- Street Maintenance
- 911 Emergency

Capital Project Funds

- Capital Equipment & Improvement
- General Building/Equipment Reserve

Debt Service Funds

- Urban Renewal Debt

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET & ROAD FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental revenue	\$ 700,000	\$ 700,000	\$ 778,512	\$ 78,512
Interest on investments	1,500	1,500	2,214	714
Miscellaneous	2,500	2,500	5,481	2,981
TOTAL REVENUES	<u>704,000</u>	<u>704,000</u>	<u>786,207</u>	<u>82,207</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	331,000	331,000	280,926	50,074
Materials and services	708,306	708,306	509,866	198,440
Contingency	23,893	23,893	-	23,893
TOTAL EXPENDITURES	<u>1,063,199</u>	<u>1,063,199</u>	<u>790,792</u>	<u>272,407</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(359,199)</u>	<u>(359,199)</u>	<u>(4,585)</u>	<u>354,614</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	156,750	156,750	156,750	-
Transfers out	(71,161)	(71,161)	(71,161)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>85,589</u>	<u>85,589</u>	<u>85,589</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(273,610)</u>	<u>(273,610)</u>	<u>81,004</u>	<u>354,614</u>
FUND BALANCE, Beginning	<u>322,605</u>	<u>322,605</u>	<u>400,610</u>	<u>78,005</u>
FUND BALANCE, Ending	<u>\$ 48,995</u>	<u>\$ 48,995</u>	<u>\$ 481,614</u>	<u>\$ 432,619</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GRANTS & DONATIONS FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	\$ 16,000	\$ 16,000	\$ 18,117	\$ 2,117
Intergovernmental revenue	315,590	315,590	78,824	(236,766)
Contributions	19,800	19,800	19,348	(452)
Interest on investments	1,500	1,500	2,328	828
Miscellaneous	29,370	29,370	34,570	5,200
TOTAL REVENUES	<u>382,260</u>	<u>382,260</u>	<u>153,187</u>	<u>(229,073)</u>
EXPENDITURES				
Current:				
Materials and services	232,050	232,050	136,608	95,442
Capital outlay	289,361	289,361	95,230	194,131
TOTAL EXPENDITURES	<u>521,411</u>	<u>521,411</u>	<u>231,838</u>	<u>289,573</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(139,151)</u>	<u>(139,151)</u>	<u>(78,651)</u>	<u>60,500</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,500)	(3,500)	(3,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(142,651)	(142,651)	(82,151)	60,500
FUND BALANCE, Beginning	<u>284,704</u>	<u>284,704</u>	<u>308,107</u>	<u>23,403</u>
FUND BALANCE, Ending	<u>\$ 142,053</u>	<u>\$ 142,053</u>	<u>\$ 225,956</u>	<u>\$ 83,903</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET MAINTENANCE FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	\$ 410,000	\$ 410,000	\$ 421,014	\$ 11,014
Interest on investments	800	800	1,296	496
Miscellaneous	-	-	5,114	5,114
TOTAL REVENUES	<u>410,800</u>	<u>410,800</u>	<u>427,424</u>	<u>16,624</u>
EXPENDITURES				
Current:				
Highways and streets:				
Materials and services	250,300	250,300	200,044	50,256
Capital outlay	1,000	1,000	-	1,000
Contingency	60,150	60,150	-	60,150
TOTAL EXPENDITURES	<u>311,450</u>	<u>311,450</u>	<u>200,044</u>	<u>111,406</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>99,350</u>	<u>99,350</u>	<u>227,380</u>	<u>128,030</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(150,000)	(150,000)	(150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(50,650)	(50,650)	77,380	128,030
FUND BALANCE, Beginning	<u>92,082</u>	<u>92,082</u>	<u>194,197</u>	<u>102,115</u>
FUND BALANCE, Ending	<u>\$ 41,432</u>	<u>\$ 41,432</u>	<u>\$ 271,577</u>	<u>\$ 230,145</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
911 EMERGENCY FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	\$ 320,000	\$ 320,000	\$ 320,068	\$ 68
Interest on investments	2,800	2,800	4,156	1,356
Miscellaneous	-	-	286	286
TOTAL REVENUES	<u>322,800</u>	<u>322,800</u>	<u>324,510</u>	<u>1,710</u>
EXPENDITURES				
Current:				
Public safety:				
Personal services	357,531	357,531	309,601	47,930
Materials and services	<u>67,178</u>	<u>67,178</u>	<u>47,406</u>	<u>19,772</u>
TOTAL EXPENDITURES	<u>424,709</u>	<u>424,709</u>	<u>357,007</u>	<u>67,702</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(101,909)</u>	<u>(101,909)</u>	<u>(32,497)</u>	<u>69,412</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,652)</u>	<u>(2,652)</u>	<u>(2,652)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,652)</u>	<u>(2,652)</u>	<u>(2,652)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(104,561)	(104,561)	(35,149)	69,412
FUND BALANCE, Beginning	<u>497,084</u>	<u>497,084</u>	<u>545,253</u>	<u>48,169</u>
FUND BALANCE, Ending	<u>\$ 392,523</u>	<u>\$ 392,523</u>	<u>\$ 510,104</u>	<u>\$ 117,581</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL EQUIPMENT & IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Assessments	\$ 26,727	\$ 26,727	\$ 31,444	\$ 4,717
Intergovernmental	210,000	210,000	30,259	(179,741)
Interest on investments	14,000	14,000	23,441	9,441
TOTAL REVENUES	<u>250,727</u>	<u>250,727</u>	<u>85,144</u>	<u>(165,583)</u>
EXPENDITURES				
Capital outlay	1,220,000	1,220,000	538,329	681,671
Contingency	405,000	405,000	-	405,000
TOTAL EXPENDITURES	<u>1,625,000</u>	<u>1,625,000</u>	<u>538,329</u>	<u>1,086,671</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,374,273)</u>	<u>(1,374,273)</u>	<u>(453,185)</u>	<u>921,088</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	400,000	400,000	-
Transfers out	(500,000)	(500,000)	(500,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(1,474,273)</u>	<u>(1,474,273)</u>	<u>(553,185)</u>	<u>921,088</u>
FUND BALANCE, Beginning	<u>3,516,680</u>	<u>3,516,680</u>	<u>3,536,275</u>	<u>19,595</u>
FUND BALANCE, Ending	<u>\$ 2,042,407</u>	<u>\$ 2,042,407</u>	<u>\$ 2,983,090</u>	<u>\$ 940,683</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL BUILDING/EQUIPMENT RESERVE FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	\$ 2,700	\$ 2,700	\$ 4,240	\$ 1,540
Miscellaneous	10,000	10,000	14,268	4,268
TOTAL REVENUES	12,700	12,700	18,508	5,808
EXPENDITURES				
Capital outlay	466,403	466,403	83,625	382,778
TOTAL EXPENDITURES	466,403	466,403	83,625	382,778
REVENUES OVER (UNDER) EXPENDITURES	(453,703)	(453,703)	(65,117)	388,586
OTHER FINANCING SOURCES (USES)				
Transfers in	63,000	63,000	63,000	-
TOTAL OTHER FINANCING SOURCES (USES)	63,000	63,000	63,000	-
NET CHANGE IN FUND BALANCE	(390,703)	(390,703)	(2,117)	388,586
FUND BALANCE, Beginning	718,648	718,648	716,376	(2,272)
FUND BALANCE, Ending	\$ 327,945	\$ 327,945	\$ 714,259	\$ 386,314

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
URBAN RENEWAL DEBT FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	\$ 1,052,000	\$ 1,052,000	\$ 1,343,193	\$ 291,193
Interest on investments	5,000	5,000	7,911	2,911
TOTAL REVENUES	<u>1,057,000</u>	<u>1,057,000</u>	<u>1,351,104</u>	<u>294,104</u>
EXPENDITURES				
Debt service	<u>263,981</u>	<u>263,981</u>	<u>263,981</u>	<u>-</u>
TOTAL EXPENDITURES	<u>263,981</u>	<u>263,981</u>	<u>263,981</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>793,019</u>	<u>793,019</u>	<u>1,087,123</u>	<u>294,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,463,206)</u>	<u>(1,463,206)</u>	<u>(1,266,001)</u>	<u>197,205</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,463,206)</u>	<u>(1,463,206)</u>	<u>(1,266,001)</u>	<u>197,205</u>
NET CHANGE IN FUND BALANCE	(670,187)	(670,187)	(178,878)	491,309
FUND BALANCE, Beginning	<u>1,055,585</u>	<u>1,055,585</u>	<u>778,657</u>	<u>(276,928)</u>
FUND BALANCE, Ending	<u>\$ 385,398</u>	<u>\$ 385,398</u>	<u>\$ 599,779</u>	<u>\$ 214,381</u>

See auditor's report.

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

Proprietary Funds

Enterprise Funds

- Water Fund
- All Sewer Funds
 - Sewer
 - Sewer Construction
 - CWSRF
- Other Enterprise Funds
 - Storm Utility
 - Building Inspections

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	\$ 2,581,180	\$ 2,581,180	\$ 2,811,961	\$ 230,781
Interest on investments	5,000	5,000	10,820	5,820
Miscellaneous	20,000	20,000	96,937	76,937
TOTAL REVENUES	<u>2,606,180</u>	<u>2,606,180</u>	<u>2,919,718</u>	<u>313,538</u>
EXPENDITURES				
Current:				
Personal services	544,180	544,180	461,388	82,792
Materials and services	1,235,091	1,235,091	1,107,526	127,565
Capital outlay	381,000	381,000	366,030	14,970
Contingency	387,670	387,670	-	387,670
TOTAL EXPENDITURES	<u>2,547,941</u>	<u>2,547,941</u>	<u>1,934,944</u>	<u>612,997</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>58,239</u>	<u>58,239</u>	<u>984,774</u>	<u>926,535</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(429,608)	(429,608)	(429,608)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(429,608)</u>	<u>(429,608)</u>	<u>(429,608)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(371,369)	(371,369)	555,166	926,535
FUND BALANCE, Beginning	<u>1,238,786</u>	<u>1,238,786</u>	<u>1,437,477</u>	<u>198,691</u>
FUND BALANCE, Ending	<u>\$ 867,417</u>	<u>\$ 867,417</u>	1,992,643	<u>\$ 1,125,226</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			5,222,525	
Other postemployment benefits			(317,215)	
NET POSITION, Ending			<u>\$ 6,897,953</u>	

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	\$ 2,855,000	\$ 2,855,000	\$ 3,199,513	\$ 344,513
Interest on investments	11,500	11,500	20,795	9,295
Miscellaneous	2,000	2,000	11,275	9,275
TOTAL REVENUES	<u>2,868,500</u>	<u>2,868,500</u>	<u>3,231,583</u>	<u>363,083</u>
EXPENDITURES				
Current:				
Personal services	724,646	724,646	642,031	82,615
Materials and services	1,142,776	1,142,776	795,897	346,879
Capital outlay	750,000	750,000	510,908	239,092
Contingency	547,413	547,413	-	547,413
TOTAL EXPENDITURES	<u>3,164,835</u>	<u>3,164,835</u>	<u>1,948,836</u>	<u>1,215,999</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(296,335)</u>	<u>(296,335)</u>	<u>1,282,747</u>	<u>1,579,082</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Transfers out	(1,068,092)	(1,068,092)	(1,068,092)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(568,092)</u>	<u>(568,092)</u>	<u>(568,092)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(864,427)</u>	<u>(864,427)</u>	<u>714,655</u>	<u>1,579,082</u>
FUND BALANCE, Beginning	<u>2,422,391</u>	<u>2,422,391</u>	<u>2,787,710</u>	<u>365,319</u>
FUND BALANCE, Ending	<u>\$ 1,557,964</u>	<u>\$ 1,557,964</u>	<u>\$ 3,502,365</u>	<u>\$ 1,944,401</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	\$ -	\$ -	\$ 2,466	\$ 2,466
TOTAL REVENUES	-	-	2,466	2,466
EXPENDITURES				
Capital outlay	450,000	450,000	3,113	446,887
Contingency	1,764	1,764	-	1,764
TOTAL EXPENDITURES	451,764	451,764	3,113	448,651
REVENUES OVER (UNDER) EXPENDITURES	(451,764)	(451,764)	(647)	451,117
OTHER FINANCING SOURCES (USES)				
Transfers in	275,000	275,000	275,000	-
TOTAL OTHER FINANCING SOURCES (USES)	275,000	275,000	275,000	-
NET CHANGE IN FUND BALANCE	(176,764)	(176,764)	274,353	451,117
FUND BALANCE, Beginning	176,764	176,764	208,638	31,874
FUND BALANCE, Ending	\$ -	\$ -	\$ 482,991	\$ 482,991

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CWSRF LOAN FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	\$ 2,500	\$ 2,500	\$ 3,608	\$ 1,108
TOTAL REVENUES	<u>2,500</u>	<u>2,500</u>	<u>3,608</u>	<u>1,108</u>
EXPENDITURES				
Debt service	<u>365,779</u>	<u>365,779</u>	<u>365,779</u>	<u>-</u>
TOTAL EXPENDITURES	<u>365,779</u>	<u>365,779</u>	<u>365,779</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(363,279)</u>	<u>(363,279)</u>	<u>(362,171)</u>	<u>1,108</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>365,779</u>	<u>365,779</u>	<u>365,779</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>365,779</u>	<u>365,779</u>	<u>365,779</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	2,500	2,500	3,608	1,108
FUND BALANCE, Beginning	<u>474,963</u>	<u>474,963</u>	<u>475,000</u>	<u>37</u>
FUND BALANCE, Ending	<u>\$ 477,463</u>	<u>\$ 477,463</u>	<u>\$ 478,608</u>	<u>\$ 1,145</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2016

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Sewer	\$ 3,502,365
Sewer Construction	482,991
CWSRF Loan	<u>478,608</u>
	4,463,964

Adjustments:

Capital assets, net of depreciation	12,825,056
Accrued interest payable	(6,887)
Long-term debt	(2,021,819)
Other postemployment benefits	<u>(411,764)</u>

GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES BASIS (GAAP) NET POSITION

\$ 14,848,550

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STORM UTILITY FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	\$ 200,000	\$ 200,000	\$ 208,126	\$ 8,126
Interest on investments	1,800	1,800	3,166	1,366
Miscellaneous	2,000	2,000	650	(1,350)
TOTAL REVENUES	<u>203,800</u>	<u>203,800</u>	<u>211,942</u>	<u>8,142</u>
EXPENDITURES				
Current:				
Materials and services	362,700	362,700	109,400	253,300
Capital outlay	51,000	51,000	49,992	1,008
Contingency	84,555	84,555	-	84,555
TOTAL EXPENDITURES	<u>498,255</u>	<u>498,255</u>	<u>159,392</u>	<u>338,863</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(294,455)</u>	<u>(294,455)</u>	<u>52,550</u>	<u>347,005</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	110,000	110,000	110,000	-
Transfers out	(150,000)	(150,000)	(150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(334,455)</u>	<u>(334,455)</u>	<u>12,550</u>	<u>347,005</u>
FUND BALANCE, Beginning	<u>359,117</u>	<u>359,117</u>	<u>384,437</u>	<u>25,320</u>
FUND BALANCE, Ending	<u>\$ 24,662</u>	<u>\$ 24,662</u>	<u>396,987</u>	<u>\$ 372,325</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			<u>1,067,715</u>	
NET POSITION, Ending			<u>\$ 1,464,702</u>	

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BUILDING INSPECTIONS FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	\$ 445,000	\$ 445,000	\$ 610,108	\$ 165,108
Interest on investments	3,700	3,700	5,586	1,886
Miscellaneous	16,000	16,000	14,543	(1,457)
TOTAL REVENUES	<u>464,700</u>	<u>464,700</u>	<u>630,237</u>	<u>165,537</u>
EXPENDITURES				
Current:				
Personal services	342,149	342,149	284,817	57,332
Materials and services	130,444	130,444	131,483	(1,039) **
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>572,593</u>	<u>572,593</u>	<u>416,300</u>	<u>156,293</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(107,893)</u>	<u>(107,893)</u>	<u>213,937</u>	<u>321,830</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(84,323)	(84,323)	(84,323)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(84,323)</u>	<u>(84,323)</u>	<u>(84,323)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(192,216)</u>	<u>(192,216)</u>	<u>129,614</u>	<u>321,830</u>
FUND BALANCE, Beginning	<u>591,573</u>	<u>591,573</u>	<u>740,462</u>	<u>148,889</u>
FUND BALANCE, Ending	<u>\$ 399,357</u>	<u>\$ 399,357</u>	<u>870,076</u>	<u>\$ 470,719</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			9,708	
Compensated absences			(8,424)	
Other postemployment benefits			(93,224)	
NET POSITION, Ending			<u>\$ 778,136</u>	

** Legal appropriation level is at the combined Building Inspection Services function and has not been exceeded.

**SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

Internal Service Funds

- Public Works Service Fund
- Motor Pool Fund

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC WORKS SERVICE FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	\$ 2,611,788	\$ 2,611,788	\$ 2,392,620	\$ (219,168)
TOTAL REVENUES	<u>2,611,788</u>	<u>2,611,788</u>	<u>2,392,620</u>	<u>(219,168)</u>
EXPENDITURES				
Current:				
Personal services	2,611,788	2,611,788	2,406,750	205,038
Contingency	<u>133,003</u>	<u>133,003</u>	<u>-</u>	<u>133,003</u>
TOTAL EXPENDITURES	<u>2,744,791</u>	<u>2,744,791</u>	<u>2,406,750</u>	<u>338,041</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(133,003)</u>	<u>(133,003)</u>	<u>(14,130)</u>	<u>118,873</u>
NET CHANGE IN FUND BALANCE	(133,003)	(133,003)	(14,130)	118,873
FUND BALANCE, Beginning	<u>133,003</u>	<u>133,003</u>	<u>123,653</u>	<u>(9,350)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	109,523	<u>\$ 109,523</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Prepaid insurance			37,891	
Compensated absences			<u>(159,811)</u>	
NET POSITION, Ending			<u>\$ (12,397)</u>	

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MOTOR POOL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 560,000	\$ 560,000	\$ 517,264	\$ (42,736)
Interest on investments	3,000	3,000	4,417	1,417
Miscellaneous	7,000	7,000	1,033	(5,967)
TOTAL REVENUES	<u>570,000</u>	<u>570,000</u>	<u>522,714</u>	<u>(47,286)</u>
EXPENDITURES				
Current:				
Personal services	170,141	170,141	165,590	4,551
Materials and services	333,393	333,393	204,776	128,617
Capital outlay	285,000	285,000	38,396	246,604
Contingency	118,280	118,280	-	118,280
TOTAL EXPENDITURES	<u>906,814</u>	<u>906,814</u>	<u>408,762</u>	<u>498,052</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(336,814)</u>	<u>(336,814)</u>	<u>113,952</u>	<u>450,766</u>
NET CHANGE IN FUND BALANCE	(336,814)	(336,814)	113,952	450,766
FUND BALANCE, Beginning	<u>494,150</u>	<u>494,150</u>	<u>560,996</u>	<u>66,846</u>
FUND BALANCE, Ending	<u>\$ 157,336</u>	<u>\$ 157,336</u>	674,948	<u>\$ 517,612</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			<u>1,309,637</u>	
NET POSITION, Ending			<u>\$ 1,984,585</u>	

See auditor's report.



OTHER FINANCIAL SCHEDULES

CITY OF LA GRANDE, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2016

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2016	Interest Matured and Paid
				Outstanding July 1, 2015	Issued	Matured and Paid		
<u>Governmental Funds</u>								
Oregon Economic Development Loan	3% - 5.25%	5/27/2009	\$ 1,152,493	\$ 976,117	\$ -	\$ 35,899	\$ 940,218	\$ 45,451
Urban Renewal Bond - 2012	1% - 3.5%	2/21/2012	\$ 1,035,000	955,000	-	45,000	910,000	27,396
Urban Renewal Bond - 2015	2% - 3.5%	2/24/2015	\$ 1,550,000	1,550,000	-	50,000	1,500,000	60,235
				3,481,117	-	130,899	3,350,218	133,082
<u>Enterprise Funds</u>								
CWSRF Loan Payable	3.83%	6/1/2002	\$ 4,836,437	\$ 2,290,952	\$ -	\$ 269,133	\$ 2,021,819	\$ 96,646
				2,290,952	-	269,133	2,021,819	96,646
Total				\$ 5,772,069	\$ -	\$ 400,032	\$ 5,372,037	\$ 229,728

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE
June 30, 2016

Year Ending June 30	Loan Payable		Totals	
	Principal	Interest	Principal	Interest
2017	\$ 36,135	\$ 44,015	\$ 36,135	\$ 44,015
2018	36,381	42,570	36,381	42,570
2019	36,636	41,114	36,636	41,114
2020	41,918	39,557	41,918	39,557
2021	42,229	37,671	42,229	37,671
2022	42,518	35,982	42,518	35,982
2023	42,894	33,856	42,894	33,856
2024	48,289	31,711	48,289	31,711
2025	48,620	29,780	48,620	29,780
2026	54,051	27,349	54,051	27,349
2027	54,527	24,511	54,527	24,511
2028	55,003	21,785	55,003	21,785
2029	60,528	18,897	60,528	18,897
2030	61,002	16,173	61,002	16,173
2031	66,524	13,276	66,524	13,276
2032	67,072	10,116	67,072	10,116
2033	72,645	6,930	72,645	6,930
2034	73,246	3,479	73,246	3,479
	<u>\$ 940,218</u>	<u>\$ 478,772</u>	<u>\$ 940,218</u>	<u>\$ 478,772</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - BONDS PAYABLE
June 30, 2016

Year Ending June 30	Urban Renewal Bond -2012		Urban Renewal Bond - 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 45,000	\$ 26,918	\$ 65,000	\$ 47,450	\$ 110,000	\$ 74,368
2018	45,000	26,362	65,000	45,150	110,000	71,512
2019	45,000	25,675	70,000	43,850	115,000	69,525
2020	45,000	24,786	70,000	42,450	115,000	67,236
2021	45,000	23,740	70,000	41,050	115,000	64,790
2022	50,000	22,537	75,000	38,950	125,000	61,487
2023	50,000	21,175	75,000	36,700	125,000	57,875
2024	50,000	19,600	75,000	34,450	125,000	54,050
2025	50,000	17,850	80,000	31,825	130,000	49,675
2026	55,000	16,013	85,000	29,025	140,000	45,038
2027	55,000	14,087	85,000	26,050	140,000	40,137
2028	55,000	12,163	90,000	23,075	145,000	35,238
2029	60,000	10,150	90,000	20,375	150,000	30,525
2030	60,000	8,050	95,000	16,675	155,000	24,725
2031	65,000	5,863	95,000	14,350	160,000	20,213
2032	65,000	3,588	100,000	11,025	165,000	14,613
2032	70,000	1,225	105,000	7,525	175,000	8,750
2033	-	-	110,000	3,850	110,000	3,850
	<u>\$ 910,000</u>	<u>\$ 279,782</u>	<u>\$ 1,500,000</u>	<u>\$ 513,825</u>	<u>\$ 2,410,000</u>	<u>\$ 793,607</u>

See auditor's report.

CITY OF LA GRANDE, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE
June 30, 2016

Year Ending June 30	CWSRF Loan		Totals	
	Principal	Interest	Principal	Interest
2017	\$ 279,539	\$ 74,785	\$ 279,539	\$ 74,785
2018	290,348	63,976	290,348	63,976
2019	301,576	52,748	301,576	52,748
2020	313,236	41,088	313,236	41,088
2021	325,348	28,976	325,348	28,976
2022	337,929	16,395	337,929	16,395
2023	173,843	3,329	173,843	3,329
	<u>\$ 2,021,819</u>	<u>\$ 281,297</u>	<u>\$ 2,021,819</u>	<u>\$ 281,297</u>

See auditor's report.



STATISTICAL SECTION

**UNION COUNTY
2016/2017 TEN LARGEST TAXPAYERS**

<i>Name</i>	<i>Assessed Value</i>	<i>Total Tax *</i>
1. BOISE BUILDING SOLUTIONS MFG	\$51,958,254	\$601,227.77
2. UNION PACIFIC RAILROAD CO	\$47,007,200	\$541,127.07
3. TELOCASET WIND POWER PARTNERS	\$29,341,478	\$276,942.40
4. WAL MART REAL EST BUSINESS TRUST	\$19,576,149	\$268,364.66
5. AVISTA CORP	\$17,004,000	\$241,428.21
6. NORTHWEST PIPELINE CORP	\$19,051,300	\$198,892.85
7. FRONTIER COMMUNICATIONS	\$12,887,000	\$180,866.87
8. TESORO LOGISTICS NW PIPELINE	\$10,133,600	\$106,180.39
9. SAFEWAY INC	\$7,385,262	\$126,845.76
10. ECLIPSE CASCADE RE GR LLC	\$6,203,109	\$105,650.53

*Total Tax can include special assessments

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of La Grande as of and for the year ended June 30, 2016, and have issued our report thereon dated December 28, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of La Grande 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, 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.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of La Grande 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 La Grande 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 La Grande internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of La Grande internal control over financial reporting.

We noted certain matters that we reported to management of City of La Grande, Oregon in the Schedule of Findings and Responses.

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

Dickey and Tremper, LLP

A handwritten signature in black ink that reads "Dickey and Tremper, LLP". The script is cursive and fluid, with the letters "D", "T", and "L" being particularly prominent.

December 28, 2016

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of La Grande, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of La Grande, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of La Grande, Oregon's basic financial statements and have issued our report thereon dated December 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2016-01 and 2016-02 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of La Grande, Oregon's Response to Findings

City of La Grande, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of La Grande, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Dickey and Tremper, LLP
Certified Public Accountants

Pendleton, Oregon
December 28, 2016

**CITY OF LA GRANDE, OREGON
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- 01 The auditor's report expresses an unqualified opinion on the basic financial statements of the City of La Grande.
- 02 Deficiencies in internal control were discovered by the audit of the basic financial statements of the City of La Grande. The deficiencies described below as 2016-01 and 2016-02 are reported as material weaknesses.
- 03 No instances of noncompliance material to the financial statements of the City of La Grande, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2016-01

Condition and criteria: The City relies on the auditor to assist in drafting the financial statements. In addition, we verify the financial statements, including note disclosures, contain all of the elements to comply with generally accepted accounting principles. We do believe the City has staff with the ability to understand, review, and take responsibility for the financial statements as required to comply with independence standards outlined under both *Government Auditing Standards* and *AUCPA 101-3*. However, our assistance in drafting the financial statements described above produces a material weakness in the City's internal control.

Effect: Since the financial statements and related note disclosures are prepared by independent auditors there is no effect caused by this condition.

Cause: This is not an unusual condition, as most of the governmental agencies in the State of Oregon have their financial statements prepared by the auditor or other external consultants. Generally accepted accounting principles for governmental entities is complex and it is normally more efficient for both cost and time to have the auditor draft the financial statements.

Auditor's recommendation: We do not recommend any change in the preparation of the financial statements, but the City Council should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

Management's response: As recommended above, the City of La Grande has not made any change in the method of preparation of the financial statements. The City does not feel it is cost effective to hire additional staff or an independent contractor to prepare the financial statements.

2016-02

Condition and criteria: The City's controls over the fiscal year-end financial reporting process rely largely on manual entries to record activity on the modified accrual basis of accounting. There were several journal entries required to correct year-end balances and properly report the activity in the City's financial statements. Significant adjustments were required to reconcile property taxes; correct receivables, revenue, and deferred inflows reported; reconcile capital assets and accrue transient room taxes and retainage payable.

Effect: Adjustments were required to correct the accounting records for the affected areas and some of the adjustments were material, resulting in a material weakness to be reported.

Cause: Year-end entries are done each year through a manual process, which is typical, but does increase the risk of error. This is a new process for the City and some year-end entries were omitted or required correction.

Auditor's recommendation: We recommend that management review its year-end journal entry processes to incorporate additional oversight and review of staff work. In addition, we recommend the City double check the effect on the trial balance after making adjustments.

Management's response: Management agrees with the condition and the auditor's recommendation. Additional oversight and review of the year-end closing process will be implemented to prevent the omission of required entries.

