

CITY OF CASCADE LOCKS, OREGON

FINANCIAL STATEMENTS

(WITH SUPPLEMENTAL INFORMATION)

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

**CITY OF CASCADE LOCKS, OREGON**  
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## **INTRODUCTORY SECTION**

# **CITY OF CASCADE LOCKS**

Names and Addresses of Officers and  
Members of the City Council  
June 30, 2018

## **MEMBERS OF THE CITY COUNCIL**

Tom Cramblett, Mayor  
P.O. Box 511  
Cascade Locks, Oregon 97014

Bruce Fitzpatrick, Councilmember  
P.O. Box 674  
Cascade Locks, Oregon 97014

Carl Zerfing, Councilmember  
P.O. Box 224  
Cascade Locks, Oregon 97014

Glenda Groves, Councilmember  
P.O. Box 412  
Cascade Locks, Oregon 97014

Bobby Walker, Council President  
P.O. Box 491  
Cascade Locks, Oregon 97014

Richard Randall, Councilmember  
P.O. Box 583  
Cascade Locks, Oregon 97014

Deanna Busdieker, Councilmember  
P.O. Box 433  
Cascade Locks, Oregon 97014

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## **OTHER OFFICERS**

Gordon Zimmerman, City Administrator

Registered Office  
P.O. Box 308  
Cascade Locks, Oregon 97014

Marianne Bump, Finance Officer

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## **LEGAL COUNSEL**

Ruben Cleaveland, LLC  
Attorneys at Law  
P. O. Box 325  
Hood River, Oregon 97031

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Cascade Locks, Oregon

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

City of Cascade Locks, Oregon's 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.

### **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 City of Cascade Locks, Oregon, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 9 change in accounting principle to the financial statements, the City of Cascade Locks adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, 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 management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions pension, schedule of changes in total OPEB liability and related ratio's – implicit rate subsidy, schedule of contributions OPEB – implicit rate subsidy, schedule of proportionate share OPEB – OPERS and schedule of contributions OPEB - OPERS, as listed in the table of contents under 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.

The schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Cascade Locks, Oregon's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

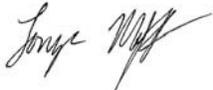
## **Reports on Other Legal and Regulatory Requirements**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of City of Cascade Locks, 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 solely 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 the effectiveness of the City of Cascade Locks, Oregon's internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cascade Locks, Oregon's internal control over financial reporting and compliance.

### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 27, 2018, on our consideration of City of Cascade Locks, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina & Company, LLP  
West Linn, Oregon  
December 27, 2018

**City of Cascade Locks  
Management's Discussion and Analysis  
Fiscal Year 2017/2018**

As management of the City of Cascade Locks, Oregon, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow. This Management Discussion and Analysis (MD&A) is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

**FINANCIAL HIGHLIGHTS:**

The City's assets exceeded its liabilities at June 30 2018, by **\$11,227,577** (net position). Of this amount, **\$571,485** is restricted for system development, cemetery maintenance, highways and streets, and tourism projects, and **\$63,177** is restricted for future years' debt service.

- The total net position increased by **\$351,282** for FY 17/18, as a result of an increase in assets and a decrease in liabilities.
- As of the close of FY17/18, the City's governmental funds reported combined ending fund balances of **\$2,133,502**.
- The City's total debt increased by **\$1,901,380** (3,250%) during the fiscal year due to the Loan for the Water System Improvement Project

**STATEMENT OF NET POSITION:**

The focus of the statement of Net Position is to present the unrestricted net position of governmental and business-type activities. This includes the capital assets, including infrastructure and long-term liabilities, of governmental activities. A condensed version of the Statement of Net Position at June 30, 2018 is shown here:

	<b>Net Position at June 30, 2018:</b>					
	<b>FY 17/18</b>			<b>FY 16/17</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
Cash and Investments	2,066,925	606,374	2,673,299	1,739,620	279,352	2,018,972
Other Assets	134,815	519,639	654,454	236,089	333,707	569,796
Restricted Cash	-	63,479	63,479	-	62,544	62,544
Deferred Outflows	249,225	308,551	557,776	315,494	458,675	774,169
Capital Assets	989,968	11,379,519	12,369,487	1,029,056	9,260,499	10,289,555
<b>Total Assets and Deferred Outflows</b>	<b>3,440,933</b>	<b>12,877,562</b>	<b>16,318,495</b>	<b>3,320,259</b>	<b>10,394,777</b>	<b>13,715,036</b>
Other Liabilities	793,165	4,153,298	4,946,463	787,991	1,339,600	2,127,591
Deferred Inflows	10,042	12,430	22,472	9,194	13,367	22,561
Long-term Debt Outstanding	35,073	86,910	121,983	28,560	660,029	688,589
<b>Total Liabilities and Deferred Inflows</b>	<b>838,280</b>	<b>4,252,638</b>	<b>5,090,918</b>	<b>825,745</b>	<b>2,012,996</b>	<b>2,838,741</b>
Net Position:						
Net Invested in Capital Assets	989,968	8,832,108	9,822,076	1,029,056	8,620,948	9,650,004
Restricted	571,485	63,177	634,662	493,865	62,242	556,107
Unrestricted	1,041,200	(270,361)	770,839	971,593	(301,409)	670,184
<b>Total Net Position</b>	<b>2,602,653</b>	<b>8,624,924</b>	<b>11,227,577</b>	<b>2,494,514</b>	<b>8,381,781</b>	<b>10,876,295</b>
<b>Total Liabilities, Deferred inflows of resources and net position</b>	<b>3,440,933</b>	<b>12,877,562</b>	<b>16,318,495</b>	<b>3,320,259</b>	<b>10,394,777</b>	<b>13,715,036</b>

## **Governmental Activities**

Infrastructure, land, buildings, equipment and other improvements total **\$989,968**. Non-land portion of governmental capital assets are now depreciated and the accumulated depreciation at fiscal year-end is **\$1,818,642**. Governmental activity assets, exclusive of capital assets, total **\$2,450,965** compared to total assets of **\$3,440,933** inclusive of capital assets. Excluding compensated absences, the City had no governmental long-term debt June 30, 2018.

## **Business-type Activities**

Infrastructure and long-term debt have historically been included in the City's reporting of assets within the Water, Sewer, and Light Funds. GASB 34 now requires that the infrastructure and debt associated with Streets and Cemetery also be reported. Capital assets at June 30, 2018 total **\$11,379,519**. Accumulated depreciation totals **\$6,900,141**. Business-type assets, exclusive of capital assets, total **\$1,498,043** compared to total assets of **\$12,877,562** inclusive of capital assets. The City had **\$550,000** in long-term business-type sewer plant debt and Water System Improvement Loan **\$1,965,059** excluding compensated absences as of June 30, 2018. Principal and interest is payable from sewer and water user fees.

## **Restricted Net Position**

A portion of the year-end net position is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. Within both the governmental and business-type activities are system development charges, sewer bond reserves and sewer revenues that are limited to repayment of debt. Restrictions are also imposed on the assets within the Capital Reserve Fund by State Budget Regulations on the use of Capital Reserve Funds and by the City's resolve to use those funds for specific purposes, including facilities, system, vehicle and equipment purchase, upgrade or replacement.

## **STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018**

This section will discuss and analyze significant differences between the current and prior year.

### **Governmental Activities:**

Governmental related revenues, not including transfers between funds, increased by **\$3,633** from FY 16/17 to FY 17/18, due to the continuing increase in the housing construction market. Governmental Expenses decreased from FY 16/17 by **\$242,403** in FY 17/18 due to decrease in general government spending.

### **Business-type Activities:**

Business-type related revenues, not including transfers between funds, increased from FY 16/17 by **\$273,475** in FY 17/18 due to an increase in customers. Business-type related expenses decreased from FY 16/17 by **\$199,728** in FY 17/18 due to the decrease in electric utilities, and a decrease in water.

A summary version of the Statement of Activities follows:

**Comparison of Statement of Activities for FY17/18 and FY16/17**

	Governmental Activities	FY17/18 Business-type Activities	Total	Governmental Activities	FY16/17 Business-type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	419,513	2,760,422	3,179,935	470,426	2,725,596	3,196,022
Highways and Streets	378	-	378			
Culture and recreation	66,215	-	66,215	68,472	-	68,472
Operating grants and contributions	13,015	-	13,015	66,086	-	66,086
General revenues:						
Property taxes	241,547	-	241,547	224,407	-	224,407
Taxes/Misc	202,915	335,482	538,397	122,258	100,505	222,763
Unrestricted investment earnings	27,186	6,177	33,363	15,487	2,505	17,992
<b>Total revenues</b>	<b>970,769</b>	<b>3,102,081</b>	<b>4,072,850</b>	<b>967,136</b>	<b>2,828,606</b>	<b>3,795,742</b>
<b>Expenses:</b>						
General government	308,222	-	308,222	442,545	-	442,545
Public safety	95,809	-	95,809	108,381	-	108,381
Highways and streets	113,997	-	113,997	234,415	-	234,415
Culture and recreation	152,381	-	152,381	112,412	-	112,412
Interest on long -term debt	-	-	-	15,059	-	15,059
Electric	-	1,971,299	1,971,299	-	2,058,874	2,058,874
Emergency Services	-	483,934	483,934	-	367,439	367,439
Sewer	-	423,983	423,983	-	420,733	420,733
Water	-	45,736	45,736	-	234,491	234,491
Other	-	23,829	23,829	-	66,972	66,972
<b>Total expenses</b>	<b>670,409</b>	<b>2,948,781</b>	<b>3,619,190</b>	<b>912,812</b>	<b>3,148,509</b>	<b>4,061,321</b>
Increase (decrease) in net position before transfers	300,360	153,300 ₪	453,660	54,324	(319,903)	(265,579)
Transfers	(146,477)	146,477	-	(40,380)	40,380	-
Increase (decrease) in net position	153,883	299,777 ₪	453,660	13,944	(279,523)	(265,579)
Prior Period adjustment	(45,744)	(56,634)	(102,378)	-	-	-
Net position - beginning of year	2,494,514	8,381,781	10,876,295	2,480,570	8,661,304	11,141,874
Net position- end of year	2,602,653	8,624,924	11,227,577	2,494,514	8,381,781	10,876,295

**General Fund Budgetary Highlights**

The beginning fund balances for most funds were improved over the year except for City Light. The continuing increased costs for medical insurance and retirement funds will bring added pressure to all budgets. Years of cutting personnel and material and services budgets has caused strain on the General Fund, however because of the administrative overhead cost allocations recommended in 2013 and done since the 2014/15 budget, the General Fund is able to handle the strain, so far. Utility rate increases will be necessary to replace aging water infrastructure and wastewater infrastructure, and fund economic growth for Cascade Locks.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2018, the City had invested **\$12,369,487** in capital assets, net of depreciation.

**Capital Assets at Fiscal Year-End (Net of Depreciation)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land and other	169,765	133,927	303,692
Buildings and improvements	73,422	1,333,055	1,406,477
Machinery and equipment	68,705	504,137	572,842
Infrastructure	678,076	6,920,645	7,598,721
Infrastructure-Intangibles	-	33,505	33,505
Construction in progress	-	2,454,250	2,454,250
Total Assets	<u>989,968</u>	<u>11,379,519</u>	<u>12,369,487</u>

**Increase/Decrease of Capital Assets between FY17/18 and Prior Fiscal Year FY16/17.**

(Net of Depreciation)

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Buildings and improvements	(7,229)	(32,516)	(39,745)
Machinery and equipment	(14,245)	(91,448)	(105,693)
Infrastructure	(23,820)	(85,334)	(109,154)
Construction in progress	-	2,328,318	2,328,318
Total Assets	<u>(45,294)</u>	<u>2,119,020</u>	<u>2,073,726</u>

**Debt Outstanding**

As of June 30, 2018, the City had **\$2,592,827** in debt outstanding, compared to **\$688,619** as of June 30, 2017. As of June 30, 2018, **\$121,983** is due within one year. Of this total loan payments are **\$70,087** and the balance is Compensated Absences in the amount of **\$51,896**.

**Outstanding Debt at Year End**

Governmental:	<b>2018</b>	<b>2017</b>
Compensated Absences	35,073	28,590
Total Governmental	35,073	28,590
Business-type:		
1998 Sewer Bond-USDA Rural	-	598,155
2018 Refinanced Sewer Bond	550,000	-
Digger Derrick-Electric Dept. Truck	25,872	41,396
Water System Improvement Loan	1,965,059	-
Compensated Absences	16,823	20,478
Total Business-Type	2,557,754	660,029
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>2,592,827</u></b>	<b><u>688,619</u></b>

For more detailed information on the City's debt and amortization terms, please refer to the *Schedule of Future Debt Service Requirements* in the *Other Information* section of this report.

## **ECONOMIC FACTORS**

The City's Governmental activities are supported by a variety of revenues, with the majority of funds being received through Property Taxes, Internal Payments and Property Use Fees paid by the enterprise funds, 70% of the Transient Room Taxes, and Emergency Services Department Revenues. Housing starts continue to be strong which will lead to more property taxes to be collected in the future. The City has grown about 20% in housing units over that last three years.

The City's Business-type activities are funded through utility charges, user fees, and system development charges. The charter amendment passed in 2008 has previously been interpreted to remove the Council's ability to increase rates. The current council is willing to increase utility rates and has done so for very specific purposes such as repair of water leaks and to cover the upcoming debt service for the Water System Improvement Project. An increase in the Wastewater Fund will be necessary to pay the debt for the Corrosion Control Project required by the Oregon Health Authority and the Wastewater System Improvement Project currently under engineering development.

The unemployment rate continues at 12% this year, much less than the 26% in 2010. This reduction is because of the growth of small businesses like Brigham's Fish Market and Thunder Island Brewery. Bear Mountain and Smokey Mountain Logistics have increased in the industrial sector. The Renewal Workshop has doubled their small work force again over the last year. The City and the Port continue to actively pursuing new businesses for the Business Park. The official population estimate for July 1, 2018, from Portland State University shows an increase of 65 people over the previous year to a total of 1,375. 40% of the population growth in Hood River County occurred in Cascade Locks.

In 2010 the assessed property value of the City was \$62 million. This year the City was valued at just under \$100 million, a 67% increase in 9 years. We have several major projects in development including Thunder Island Brewery and Restaurant and Gorges Beer Brewery and Restaurant on WaNaPa Street, Heuker Brothers Fish Processing Plant, pFriem Brewing Packaging and Distribution Center, and a 40,000 square foot expansion for The Renewal Workshop in the Port of Cascade Locks Business Park. A primary care medical facility will open in the Cascade Locks Elementary School Building in 2019. OregonMines is bringing only 4 jobs, but a demand for almost 4 megawatts of electricity which will substantially and dramatically improve the revenues for the City Light Electric Department.

Many issues continue to challenge Cascade Locks economically. In 1986 the Columbia River National Scenic Area legislation was passed. The legislation encouraged environmental protection within the boundary and economic and recreational opportunities for cities in the area. The legislation has preserved the scenic character of the area which has maintained the quality of life for many communities in the Gorge. However, with the general economic impact of this legislation, there have been continued challenges for resource-based economies attempting to shift to tourism and new industries. The City, working with the Port of Cascade Locks and the Columbia Gorge Commission, is developing regional solutions to common problems. OneGorge is an advocacy group of Gorge businesses and governments dedicated to develop solutions for economic issues in the Gorge.

The economic base of Cascade Locks continues to improve. Since the closure of the timber and aluminum plants in the Gorge, the local economy has been largely dependent on tourism and the few remaining forest products businesses. The City must seek funding for special projects from outside sources through grants, loans, assistance programs, and state and federal agencies. The City Council, in setting its budget priorities for 2018-19 continued the emphasis on infrastructure development as crucial for economic

development and job creation for the city. Of prime importance this next year is the complete redevelopment of our electric substation and power distribution capacity. As the Port attracts more and bigger businesses to our community, we must increase the capacity of our Electric Department to provide safe, redundant power to our commercial, industrial, and residential sectors.

#### **FINANCIAL CONTACT**

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Officer at PO Box 308, Cascade Locks OR 97014, 541-374-8484 or [mbump@cascade-locks.or.us](mailto:mbump@cascade-locks.or.us).

Respectfully Submitted,

Gordon Zimmerman  
City Administrator

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## **BASIC FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
  - Governmental Funds
  - Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**CITY OF CASCADE LOCKS, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 2,066,925	\$ 606,374	\$ 2,673,299
Accounts receivable	81,374	267,882	349,256
Property taxes receivable	27,338	-	27,338
Internal balances	3,377	(3,377)	-
Prepays	22,726	8,913	31,639
Inventories	-	246,221	246,221
Total current assets	<u>2,201,740</u>	<u>1,126,013</u>	<u>3,327,753</u>
Noncurrent assets:			
Restricted cash	-	63,479	63,479
Capital assets:			
Nondepreciable	169,765	2,621,682	2,791,447
Depreciable, net	820,203	8,757,837	9,578,040
Total noncurrent assets	<u>989,968</u>	<u>11,442,998</u>	<u>12,432,966</u>
Total assets	<u>3,191,708</u>	<u>12,569,011</u>	<u>15,760,719</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow related to pension	235,647	291,743	527,390
Deferred outflow related to OPEB	13,578	16,808	30,386
Total deferred outflows of resources	<u>249,225</u>	<u>308,551</u>	<u>557,776</u>
Total assets and deferred outflows of resources	<u>\$ 3,440,933</u>	<u>\$ 12,877,562</u>	<u>\$ 16,318,495</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable and other current liabilities	\$ 35,156	\$ 531,037	\$ 566,193
Deposits	7,050	143,000	150,050
Interest Payable	-	999	999
Current portion of long-term debt	35,073	86,910	121,983
Total current liabilities	<u>77,279</u>	<u>761,946</u>	<u>839,225</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	-	2,470,843	2,470,843
Net pension liability	530,713	657,050	1,187,763
Pension transitional liability	174,032	293,152	467,184
Net OPEB liability	46,214	57,217	103,431
Total noncurrent liabilities	<u>750,959</u>	<u>3,478,262</u>	<u>4,229,221</u>
Total liabilities	<u>828,238</u>	<u>4,240,208</u>	<u>5,068,446</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to pension	7,116	8,809	15,925
Deferred inflow related to OPEB	2,926	3,621	6,547
Total deferred inflows of resources	<u>10,042</u>	<u>12,430</u>	<u>22,472</u>
<b>NET POSITION:</b>			
Net investment in capital assets	989,968	8,832,108	9,822,076
Restricted for:			
Highways and streets	151,750	-	151,750
Cemetery maintenance	8,732	-	8,732
Debt service payments	-	63,177	63,177
System development	377,829	-	377,829
Tourism	33,174	-	33,174
Unrestricted	1,041,200	(270,361)	770,839
Total net position	<u>2,602,653</u>	<u>8,624,924</u>	<u>11,227,577</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,440,933</u>	<u>\$ 12,877,562</u>	<u>\$ 16,318,495</u>

*The accompanying notes are an integral part of the basic financial statements.*

CITY OF CASCADE LOCKS, OREGON

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net Expense Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:						
General government	\$ 308,222	\$ 419,513	\$ 13,015	\$ 124,306	\$ -	\$ 124,306
Public safety	95,809	-	-	(95,809)	-	(95,809)
Highways and streets	113,997	378	-	(113,619)	-	(113,619)
Culture and recreation	152,381	66,215	-	(86,166)	-	(86,166)
Total governmental activities	670,409	486,106	13,015	(171,288)	-	(171,288)
Business type activities:						
Electrical Fund	1,971,299	1,807,474	-	-	(163,825)	(163,825)
Emergency Services Fund	483,934	180,997	-	-	(302,937)	(302,937)
Sewer Operations	423,983	399,560	-	-	(24,423)	(24,423)
Water Fund	45,736	345,226	-	-	299,490	299,490
Other Enterprise Funds	23,829	27,165	-	-	3,336	3,336
Total business type activities:	2,948,781	2,760,422	-	-	(188,359)	(188,359)
Total government	\$ 3,619,190	\$ 3,246,528	\$ 13,015	(171,288)	(188,359)	(359,647)
General revenues:						
Taxes:						
Property taxes				241,547	-	241,547
Franchise taxes				5,486	-	5,486
Public service taxes and revenue sharing				51,458	-	51,458
State gas tax				74,771	-	74,771
Interest and investment earning				27,186	6,177	33,363
Miscellaneous revenues				71,200	335,482	406,682
Transfers in (out)				(146,477)	146,477	-
Total general revenues and transfers				325,171	488,136	813,307
Change in net position				153,883	299,777	453,660
Net position - beginning				2,494,514	8,381,781	10,876,295
Restatement per GASB 75 implementation				(45,744)	(56,634)	(102,378)
Net position - beginning as restated				2,448,770	8,325,147	10,773,917
Net position - ending				\$ 2,602,653	\$ 8,624,924	\$ 11,227,577

The accompanying notes are an integral part of the basic financial statements.

**FUND FINANCIAL STATEMENTS**  
**Major Governmental Funds**

**General Fund**

The General Fund accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenue. Primary expenditures are for culture and recreation, general government and public safety.

**State Tax Street Fund**

The State Street Tax Fund accounts for the receipts and expenditure of funds associated with the construction and maintenance of streets within the City.

**Capital Reserve 08 Fund**

The Capital Reserve 08 Fund accounts for monies accumulated for major fixed asset additions. Principal funding is provided by annual budgeted transfer from other funds.

**CITY OF CASCADE LOCKS, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2018**

	General Fund	State Tax Street Fund	Capital Reserve 08 Fund	Other Governmental	Total Governmental
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 271,223	\$ 143,927	\$ 1,251,124	\$ 400,651	\$ 2,066,925
Accounts receivable	53,800	8,076	-	19,498	81,374
Property taxes receivable	27,338	-	-	-	27,338
Due from other funds	-	-	3,377	-	3,377
Prepays	22,726	-	-	-	22,726
Total assets	<u>\$ 375,087</u>	<u>\$ 152,003</u>	<u>\$ 1,254,501</u>	<u>\$ 420,149</u>	<u>\$ 2,201,740</u>
<b>LIABILITIES:</b>					
Accounts payable and other current liabilities	\$ 34,580	\$ 253	\$ -	\$ 323	\$ 35,156
Deposits	7,050	-	-	-	7,050
Total liabilities	<u>41,630</u>	<u>253</u>	<u>-</u>	<u>323</u>	<u>42,206</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property tax revenue	<u>26,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,032</u>
Total deferred inflows of resources	<u>26,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,032</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid items	22,726	-	-	-	22,726
Restricted for:					
Highways and streets	-	151,750	-	-	151,750
Cemetery maintenance	-	-	-	8,732	8,732
System development	-	-	-	377,829	377,829
Tourism	-	-	-	33,174	33,174
Committed to:					
Capital projects	-	-	1,254,501	-	1,254,501
Assigned to:					
Capital projects	-	-	-	91	91
Unassigned	<u>284,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,699</u>
Total fund balances	<u>307,425</u>	<u>151,750</u>	<u>1,254,501</u>	<u>419,826</u>	<u>2,133,502</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 375,087</u>	<u>\$ 152,003</u>	<u>\$ 1,254,501</u>	<u>\$ 420,149</u>	

Amounts reported 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. 989,968

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 26,032

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net pension liability	(476,214)
Other post-employment benefits (OPEB)	(35,562)
Long-term debt	<u>(35,073)</u>

Net position of governmental activities \$ 2,602,653

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF CASCADE LOCKS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	General Fund	State Tax Street Fund	Capital Reserve 08 Fund	Other Governmental	Total Governmental
<b>REVENUES:</b>					
Property taxes	\$ 235,401	\$ -	\$ -	\$ -	\$ 235,401
State gas tax	-	74,771	-	-	74,771
Franchise fees	5,486	-	-	-	5,486
Grants	-	-	-	13,015	13,015
Charges for service	162,882	-	-	210	163,092
Licenses and permits	-	6,100	-	-	6,100
Intergovernmental	51,458	-	-	-	51,458
Special assessments	154,010	-	-	66,005	220,015
Interest	4,092	-	17,036	6,058	27,186
Miscellaneous	2,774	1,905	63,251	3,270	71,200
Rents	1,600	378	-	-	1,978
System development charges	-	-	-	94,921	94,921
<b>Total revenues</b>	<b>617,703</b>	<b>83,154</b>	<b>80,287</b>	<b>183,479</b>	<b>964,623</b>
<b>EXPENDITURES:</b>					
Current:					
General government	188,340	-	-	5,298	193,638
Public safety	96,219	-	-	-	96,219
Highways and streets	-	38,311	-	-	38,311
Culture and recreation	81,231	-	-	71,150	152,381
Capital outlay	9,068	-	80,844	2,808	92,720
<b>Total expenditures</b>	<b>374,858</b>	<b>38,311</b>	<b>80,844</b>	<b>79,256</b>	<b>573,269</b>
Revenues over (under) expenditures	242,845	44,843	(557)	104,223	391,354
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	20,000	-	223,008	-	243,008
Transfers out	(225,756)	(10,690)	(100,000)	(53,039)	(389,485)
<b>Total other financing sources (uses)</b>	<b>(205,756)</b>	<b>(10,690)</b>	<b>123,008</b>	<b>(53,039)</b>	<b>(146,477)</b>
Net change in fund balances	37,089	34,153	122,451	51,184	244,877
<b>FUND BALANCES, BEGINNING</b>	<b>270,336</b>	<b>117,597</b>	<b>1,132,050</b>	<b>368,642</b>	<b>1,888,625</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 307,425</b>	<b>\$ 151,750</b>	<b>\$ 1,254,501</b>	<b>\$ 419,826</b>	<b>\$ 2,133,502</b>

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF CASCADE LOCKS, 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, 2018**

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Amounts reported in the statement of activities are different because:

Net change in fund balances	\$ 244,877
 Governmental funds report pension and OPEB contributions as expenditures. However, in the statements of activities, the cost of pension and OPEB benefits earned net of employee contributions is reports as pension expense.	 (51,539)
 The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Depreciation	(45,294)
Capital asset additions	<u>6,206</u>
	(39,088)
 Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	 6,146
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	<u>(6,513)</u>
 Change in net position of governmental activities	 <u><u>\$ 153,883</u></u>

*The accompanying notes are an integral part of the basic financial statements.*

**FUND FINANCIAL STATEMENTS**  
**Proprietary Funds**

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent four major segments of operations –Electrical, Emergency Services, Sewer and Water.

**Electrical Fund**

The Electrical Fund accounts for the activities of the City's electric distribution operations.

**Emergency Services Fund**

The Emergency Services Fund accounts for the activities of the City's fire and ambulance operations.

**Sewer Operations**

**Sewer Fund**

The Sewer Fund accounts for the activities of the City's sewage collection and treatment operations.

**Sewer Bond Fund**

The Sewer Bond Fund was set up to account for the funds that were borrowed to build the sewer plant system.

**Water Fund**

The Water Fund accounts for activities of the City's water collection operations.

**CITY OF CASCADE LOCKS, OREGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Business-Type Activities - Enterprise Funds					
	Electrical Fund	Emergency Services Fund	Sewer Operations	Water Fund	Other Enterprise Funds	Total
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 210,377	\$ 42,847	\$ 112,357	\$ 232,992	\$ 7,801	\$ 606,374
Accounts receivables, net	125,634	14,531	71,078	56,639	-	267,882
Inventories	228,194	-	1,884	16,143	-	246,221
Prepaid expenses	3,663	5,250	-	-	-	8,913
<b>Total current assets</b>	<b>567,868</b>	<b>62,628</b>	<b>185,319</b>	<b>305,774</b>	<b>7,801</b>	<b>1,129,390</b>
Restricted cash	-	-	63,479	-	-	63,479
Nondepreciable	42,385	93,230	1,000	2,454,250	30,817	2,621,682
Depreciable, net	2,867,321	1,552,449	3,644,694	693,373	-	8,757,837
<b>Total noncurrent assets</b>	<b>2,909,706</b>	<b>1,645,679</b>	<b>3,709,173</b>	<b>3,147,623</b>	<b>30,817</b>	<b>11,442,998</b>
<b>Total assets</b>	<b>3,477,574</b>	<b>1,708,307</b>	<b>3,894,492</b>	<b>3,453,397</b>	<b>38,618</b>	<b>12,572,388</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflow related to pension	183,525	61,171	18,591	28,456	-	291,743
Deferred outflow related to OPEB	10,574	3,524	1,071	1,639	-	16,808
<b>Total deferred outflows of resources</b>	<b>194,099</b>	<b>64,695</b>	<b>19,662</b>	<b>30,095</b>	<b>-</b>	<b>308,551</b>
<b>Total assets &amp; deferred outflows of resources:</b>	<b>\$ 3,671,673</b>	<b>\$ 1,773,002</b>	<b>\$ 3,914,154</b>	<b>\$ 3,483,492</b>	<b>\$ 38,618</b>	<b>\$ 12,880,939</b>
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 76,472	7,189	\$ 19,949	\$ 427,257	\$ 170	\$ 531,037
Deposits	140,300	-	-	2,700	-	143,000
Due to other funds	-	3,377	-	-	-	3,377
Interest payable	-	-	999	-	-	999
Current portion of long-term debt	25,283	2,503	55,802	3,176	146	86,910
<b>Total current liabilities</b>	<b>242,055</b>	<b>13,069</b>	<b>76,750</b>	<b>433,133</b>	<b>316</b>	<b>765,323</b>
<b>NONCURRENT LIABILITIES:</b>						
Noncurrent portion of long-term debt	10,785	-	495,000	1,965,058	-	2,470,843
Net pension liability	413,326	137,766	41,871	64,087	-	657,050
Pension transitional liability	171,601	64,493	23,974	33,084	-	293,152
Net OPEB liability	35,993	11,997	3,646	5,581	-	57,217
<b>Total noncurrent liabilities</b>	<b>631,705</b>	<b>214,256</b>	<b>564,491</b>	<b>2,067,810</b>	<b>-</b>	<b>3,478,262</b>
<b>Total liabilities</b>	<b>873,760</b>	<b>227,325</b>	<b>641,241</b>	<b>2,500,943</b>	<b>316</b>	<b>4,243,585</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflow related to pension	5,542	1,847	561	859	-	8,809
Deferred inflow related to OPEB	2,278	759	231	353	-	3,621
<b>Total deferred inflows of resources</b>	<b>7,820</b>	<b>2,606</b>	<b>792</b>	<b>1,212</b>	<b>-</b>	<b>12,430</b>
<b>NET POSITION:</b>						
Net investment in capital assets	2,883,834	1,643,176	3,094,892	1,179,389	30,817	8,832,108
Restricted for:						
Debt service (expendable)	-	-	63,177	-	-	63,177
Unrestricted	(93,741)	(100,105)	114,052	(198,052)	7,485	(270,361)
<b>Total net position</b>	<b>2,790,093</b>	<b>1,543,071</b>	<b>3,272,121</b>	<b>981,337</b>	<b>38,302</b>	<b>8,624,924</b>
<b>Total liabilities &amp; net position</b>	<b>\$ 3,671,673</b>	<b>\$ 1,773,002</b>	<b>\$ 3,914,154</b>	<b>\$ 3,483,492</b>	<b>\$ 38,618</b>	<b>\$ 12,880,939</b>

*The accompanying notes are an integral part of the basic financial statements.*

CITY OF CASCADE LOCKS, OREGON  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2018

Business-Type Activities - Enterprise Funds

	Electrical Fund	Emergency Services Fund	Sewer Operations	Water Fund	Other Enterprise Funds	Total
<b>OPERATING REVENUES:</b>						
Charges for service	\$ 1,807,474	\$ 180,897	\$ 399,560	\$ 345,226	\$ 27,165	\$ 2,760,322
Licenses and permits	-	100	-	-	-	100
Miscellaneous	93,666	144,017	75,377	22,422	-	335,482
Total operating revenues	1,901,140	325,014	474,937	367,648	27,165	3,095,904
<b>OPERATING EXPENSES:</b>						
Personnel services	624,941	316,121	28,962	11,459	2,081	983,564
Materials and services	1,197,976	95,613	251,335	-	21,748	1,566,672
Depreciation	148,382	72,200	129,369	34,277	-	384,228
Total operating expenses	1,971,299	483,934	409,666	45,736	23,829	2,934,464
Operating income (loss)	(70,159)	(158,920)	65,271	321,912	3,336	161,440
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Interest income	846	638	3,221	1,410	62	6,177
Interest expense	-	-	(14,317)	-	-	(14,317)
Total non-operating revenues (expenses)	846	638	(11,096)	1,410	62	(8,140)
Net income (loss) before operating transfers	(69,313)	(158,282)	54,175	323,322	3,398	153,300
<b>OPERATING TRANSFERS:</b>						
Transfers in (out)	96,400	200,756	(100,000)	(53,718)	3,039	146,477
Change in net position	27,087	42,474	(45,825)	269,604	6,437	299,777
<b>NET POSITION, BEGINNING</b>	2,798,632	1,512,473	3,321,555	717,256	31,865	8,381,781
<b>RESTATEMENT PER GASB 75 IMPLEMENTATION</b>	(35,626)	(11,876)	(3,609)	(5,523)	-	(56,634)
<b>NET POSITION, BEGINNING AS RESTATED</b>	2,763,006	1,500,597	3,317,946	711,733	31,865	8,325,147
<b>NET POSITION, ENDING</b>	\$ 2,790,093	\$ 1,543,071	\$ 3,272,121	\$ 981,337	\$ 38,302	\$ 8,624,924

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF CASCADE LOCKS, OREGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2018**

	Business-Type Activities - Enterprise Funds					
	Electrical Fund	Emergency Services Fund	Sewer Operations	Water Fund	Other Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 1,912,571	\$ 318,183	\$ 437,970	\$ 340,366	\$ 32,253	\$ 3,041,343
Cash paid to employees and others for salaries/benefits	(654,581)	(245,055)	(35,938)	(15,733)	(2,026)	(953,333)
Cash paid to suppliers and others	(1,185,015)	(142,350)	(234,959)	415,654	(25,907)	(1,172,577)
Net cash provided (used) by operating activities	<u>72,975</u>	<u>(69,222)</u>	<u>167,073</u>	<u>740,287</u>	<u>4,320</u>	<u>915,433</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Payment from (to) other funds	-	-	-	(15,733)	(3,906)	(19,639)
Transfers in (out)	96,400	200,756	(100,000)	(53,718)	3,039	146,477
Net cash provided (used) by non-capital financing activities	<u>96,400</u>	<u>200,756</u>	<u>(100,000)</u>	<u>(69,451)</u>	<u>(867)</u>	<u>126,838</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Purchase of capital assets	(98,936)	-	-	(2,404,312)	-	(2,503,248)
Proceeds from debt	-	-	-	1,965,058	-	1,965,058
Debt principal payments	(15,524)	-	(47,895)	-	-	(63,419)
Interest paid	-	-	(29,557)	-	-	(29,557)
Proceeds (repayment) of interfund loans	-	(89,325)	-	-	-	(89,325)
Net cash provided (used) by capital and related financing activities	<u>(114,460)</u>	<u>(89,325)</u>	<u>(77,452)</u>	<u>(439,254)</u>	<u>-</u>	<u>(720,491)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest received	846	638	3,221	1,410	62	6,177
Net cash provided (used) by investing activities	<u>846</u>	<u>638</u>	<u>3,221</u>	<u>1,410</u>	<u>62</u>	<u>6,177</u>
Net increase (decrease) in cash and cash equivalents	55,761	42,847	(7,158)	232,992	3,515	327,957
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>154,616</u>	<u>-</u>	<u>182,994</u>	<u>-</u>	<u>4,286</u>	<u>341,896</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 210,377</u>	<u>\$ 42,847</u>	<u>\$ 175,836</u>	<u>\$ 232,992</u>	<u>\$ 7,801</u>	<u>\$ 669,853</u>
<b>COMPRISED AS FOLLOWS:</b>						
Cash and cash equivalents	\$ 210,377	\$ 42,847	\$ 112,357	\$ 232,992	\$ 7,801	\$ 606,374
Restricted cash and cash equivalents	-	-	63,479	-	-	63,479
Total cash and cash equivalents	<u>\$ 210,377</u>	<u>\$ 42,847</u>	<u>\$ 175,836</u>	<u>\$ 232,992</u>	<u>\$ 7,801</u>	<u>\$ 669,853</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (70,159)	\$ (158,920)	\$ 65,271	\$ 321,912	\$ 3,336	\$ 161,440
Adjustments						
Depreciation	148,382	72,200	129,369	34,277	-	384,228
Decrease (increase) in:						
Accounts receivable	(1,149)	(6,831)	(36,967)	(28,267)	5,088	(68,126)
Inventories	6,477	-	48	(6,454)	-	71
Prepaid items	(3,663)	(5,250)	-	-	-	(8,913)
Increase (decrease) in:						
Accounts payable and accrued expenses	(1,387)	(6,719)	12,840	422,108	(4,159)	422,683
Deposits	12,580	-	-	985	-	13,565
Pension liability	5,308	40,382	(1,789)	(2,733)	-	41,168
Transitional liability	(8,913)	(2,971)	(896)	(1,384)	-	(14,164)
Net OPEB liability	(7,929)	(2,644)	(803)	(1,228)	-	(12,604)
Accrued compensated absences	(6,572)	1,531	-	1,071	55	(3,915)
Net cash provided (used) by operating activities	<u>\$ 72,975</u>	<u>\$ (69,222)</u>	<u>\$ 167,073</u>	<u>\$ 740,287</u>	<u>\$ 4,320</u>	<u>\$ 915,433</u>

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**1. Summary of Significant Accounting Policies**

**A. Description of Reporting Entity**

The City of Cascade Locks (the City) is a municipal corporation governed by a mayor and six council members elected by the citizens of the City. Administrative functions are delegated to individuals who report to and are responsible to the council. The chief administrative officer is the city administrator.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The City has no blended or discretely presented component units.

**B. Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City. Generally, the effect of interfund activity has been eliminated to minimize the double-counting of internal activities. Exceptions to this include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental and proprietary. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**C. Basis of Presentation**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund balance, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

*General Fund:* The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*State Tax Street Fund:* The *street fund* accounts for the receipt and expenditure of funds associated with the construction and maintenance of streets within the City.

*Capital Reserve 08 Fund:* The *capital reserve 08 fund* is established to account for monies accumulated for major fixed asset additions. Principal funding is provided by annual budgeted transfers from other funds.

The City reports proprietary funds to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. The City reports the following major proprietary funds:

*Electric Operations:* The *electrical fund* accounts for the activities of the City's electric distribution operations.

*Emergency Service Operations:* The *emergency services fund* accounts for the activities of the City's fire and ambulance operations.

*Sewer Operations:* The *sewer fund* and *sewer bond fund* accounts for the activities of the City's sewage collection and treatment operations.

*Water Operations:* The *water fund* accounts for the activities of the City's water collection operations.

Additionally, the government reports the following fund types:

*Special revenue* funds that account for revenues derived from specific sources that have been restricted to finance particular functions or activities. These include the *system development fund*, *grants fund*, *tourism fund*, and *cemetery trust fund*.

Other *proprietary* funds include the *CATV* and *cemetery* funds that account for the respective revenues and expenditures of these activities.

**CITY OF CASCADE LOCKS, OREGON**  
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**D. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

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

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

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

Unavailable revenues arise in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide Statement of Net Position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures when they mature. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized, thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary financial statements have incorporated all applicable GASB pronouncements.

**E. Cash and Cash Equivalents**

For the purposes of the statement of cash flows the City considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

**F. Receivables**

Uncollected property taxes receivable collected within sixty days following year end are considered measurable and available and are recognized as revenues. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent.

Receivables for grants and state shared revenues, included in accounts receivable are recorded as revenues in governmental fund types as earned. Receivables of the proprietary fund types are recorded as revenues as earned, including services earned but not billed.

**G. Interfund Loans Receivables/Payables**

Interfund loans are classified as "Due to and due from other funds".

**CITY OF CASCADE LOCKS, OREGON**  
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**H. Inventories**

Inventories of materials and supplies in Proprietary Funds are stated at the lower of cost or market using the first-in first-out (FIFO) method of costing. Inventories in the governmental type funds are not considered material and consequently are recorded by the City as expenditures at the time of purchase.

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.), are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the City as assets with an initial, individual cost of \$3,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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. No interest costs were capitalized during the year ended June 30, 2018.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	20 to 50
Infrastructure	30 to 100
System Infrastructure	20 to 50
Vehicles	10 to 20
Office and Office Equipment	5 to 10

Monthly depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

GASB Statement No. 34 (GASB 34) required the City to prospectively report and depreciate all infrastructure assets of governmental activities (primarily transportation systems) effective July 1, 2003. GASB extended the implementation period for retroactive reporting of these capital assets to the beginning of the fiscal year ending June 30, 2008. The City reports newly acquired infrastructure in accordance with GASB 34.

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**J. Intangible Capital Assets**

Intangible capital assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Intangible capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Intangible capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Donated intangible capital assets are recorded at their estimated fair market value at the time received.

Intangible capital assets are defined by the City as assets with an initial, individual cost of \$3,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Amortization on exhaustible intangible assets is recorded as an allocated expense in the Statement of Activities with accumulated amortization reflected in the Statement of Net Position and is provided on the straight-line basis over the estimated useful life of the asset.

Monthly amortization is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of intangible capital assets are included in operations of the current period.

**K. Compensated Absences**

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, accumulated vested vacation pay is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Accumulated vested vacation pay is reported in governmental funds only if they matured.

Funds used to liquidate accrued compensated absences included the general fund, street fund, water fund, sewer fund, electrical fund, and emergency services fund.

**L. 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. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. It is the deferred amounts relating to pensions and deferred amounts relating to other postemployment benefits. This amount is deferred and recognized as an outflow of resources in the period when the City's recognizes pension expense/expenditures. Deferred outflows are included in the governmental-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes, deferred amounts related to pensions, and deferred amounts related to other postemployment benefits. Unavailable revenues

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from property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows related to pensions are deferred and recognized as an inflow of resources in the period when the City's recognizes pension income.

**M. Pension**

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.

**N. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's two separate plans the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from Implicit Rate Subsidy and OPERS's fiduciary net position have been determined on the same basis as they are reported by Implicit Rate Subsidy and OPERS. For this purpose, Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**O. Net Position**

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net position. The City's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

The government-wide statement of net position reports \$634,662 of restricted net position.

**P. Fund Balance**

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

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

**CITY OF CASCADE LOCKS, OREGON**  
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*Restricted* – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

*Committed* – Includes amounts that can be used only for the specific purposes determined by resolution by the City Council, the City’s highest level of decision-making authority. Committed amounts may not be used for any other purpose unless the City Council removes the constraint by similar council action. Commitments of fund balance must be made prior to the end of the fiscal year.

*Assigned* – Includes amounts the City intends to use for a specific purpose. Intent can be expressed by the City Councilor by an official or body to which the City Council delegates the authority. Assignments of fund balance can be done at any time, including after the fiscal year end date.

*Unassigned* – This is the residual classification used for those balances not assigned to another category. Any balances that are budgeted as unappropriated will be considered to be unassigned.

**Q. Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the City’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

**R. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted requires that management make estimates and assumptions which affect the reporting amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

**2. Cash and Cash Equivalents**

At June 30, 2018 investments included in cash and cash equivalents consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Investments in the State Treasurer’s Local Government Investment Pool	0.00	\$ 2,519,661

**A. Interest Rate Risk**

The City of Cascade Locks does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**B. Credit Risk**

State statutes authorize the City of Cascade Locks to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, and the State Treasurer’s Oregon Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment

**CITY OF CASCADE LOCKS, OREGON**  
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choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The State Treasurer's Oregon Local Government Investment Pool is not registered with the SEC as an investment company and is unrated.

The City's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

**C. Concentration of Credit Risk**

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

**D. Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2018, the book value of the City's deposits was \$214,833 and the bank balance was \$268,099. As of June 30, 2018, \$18,099 of the City's bank balances were exposed to custodial credit risk.

**E. Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held to those specified by Oregon statutes and does not allow securities to be held by the counterparty. The City's policy is in compliance with State statutes.

**CITY OF CASCADE LOCKS, OREGON**  
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**3. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 169,765	\$ -	\$ -	\$ 169,765
Total capital assets, not being depreciated	169,765	-	-	169,765
<b>Capital assets, being depreciated:</b>				
Buildings & improvements	233,630	-	-	233,630
Infrastructure	1,943,847	-	-	1,943,847
Machinery & equipment	455,162	6,206	-	461,368
Total capital assets, being depreciated	2,632,639	6,206	-	2,638,845
<b>Less accumulated depreciation for:</b>				
Buildings & improvements	(152,979)	(7,228)	-	(160,207)
Infrastructure	(1,241,951)	(23,820)	-	(1,265,771)
Machinery & equipment	(378,418)	(14,245)	-	(392,663)
Total accumulated depreciation	(1,773,348)	(45,293)	-	(1,818,641)
Total capital assets, being depreciated, net	859,291	(39,087)	-	820,204
Governmental activities capital assets, net	<u>\$ 1,029,056</u>	<u>\$ (39,087)</u>	<u>\$ -</u>	<u>\$ 989,969</u>
<b>Governmental Activities</b>				
General government		\$ 15,795		
Streets		29,498		
Total depreciation expense - governmental activities		<u>\$ 45,293</u>		

**CITY OF CASCADE LOCKS, OREGON**  
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Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 133,927	\$ -	\$ -	\$ 133,927
Construction in Progress	125,932	2,376,730	(48,412)	2,454,250
Intangibles	33,505	-	-	33,505
	<u>293,364</u>	<u>2,376,730</u>	<u>(48,412)</u>	<u>2,621,682</u>
<b>Capital assets, being depreciated:</b>				
Buildings & improvements	1,625,786	-	-	1,625,786
Infrastructure	12,184,326	174,930	-	12,359,256
Machinery & equipment	1,672,936	-	-	1,672,936
	<u>15,483,048</u>	<u>174,930</u>	<u>-</u>	<u>15,657,978</u>
<b>Less accumulated depreciation for:</b>				
Buildings & improvements	(260,215)	(32,516)	-	(292,731)
Infrastructure	(5,178,347)	(260,264)	-	(5,438,611)
Machinery & equipment	(1,077,351)	(91,448)	-	(1,168,799)
	<u>(6,515,913)</u>	<u>(384,228)</u>	<u>-</u>	<u>(6,900,141)</u>
Total capital assets, being depreciated, net	<u>8,967,135</u>	<u>(209,298)</u>	<u>-</u>	<u>8,757,837</u>
Business-type activities capital assets, net	<u>\$ 9,260,499</u>	<u>\$ 2,167,432</u>	<u>\$ (48,412)</u>	<u>\$ 11,379,519</u>
<b>Business-type activities:</b>				
Water		\$ 34,277		
Sewer		129,369		
Emergency services		72,200		
Electrical		148,382		
Total depreciation expense - business-type activities		<u>\$ 384,228</u>		

**CITY OF CASCADE LOCKS, OREGON**  
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**4. Interfund Transfers**

Interfund transfers are primarily to the Capital Reserve Fund for future major capital purchases and other funds for current capital outlay. Interfund transfers for the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major		
General Fund	\$ 20,000	\$ (225,756)
State Tax Street Fund	-	(10,690)
Capital Reserve 08 Fund	223,008	(100,000)
Non-Major		
Tourism Fund	-	(50,000)
Cemetery Trust Fund	-	(3,039)
Total Governmental Funds	<u>243,008</u>	<u>(389,485)</u>
Proprietary Funds:		
Major		
Electrical Fund	100,000	(3,600)
Emergency Services Fund	220,756	(20,000)
Sewer Operations	77,711	(177,711)
Water Fund	3,600	(57,318)
Non-Major		
Cemetery Fund	3,039	-
Total Proprietary Funds	<u>405,106</u>	<u>(258,629)</u>
Total all funds	<u>\$ 648,114</u>	<u>\$ (648,114)</u>

**5. Interfund Receivables & Payables**

Interfund loans are primarily used to fund capital projects purchases and construction projects.

Interfund balances at June 30, 2018 are as follows:

*Due to/from other funds:*

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Capital Reserve Fund	Emergency Fund	<u>\$ 3,377</u>
Total		<u>\$ 3,377</u>

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**6. Long Term Debt**

During the year ended June 30, 2018, long-term liability activity was as follows:

	<u>6/30/2017</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2018</u> <u>Balance</u>	<u>Due in</u> <u>1 Year</u>
<b>Governmental Activities</b>					
Compensated Absences	\$ 28,560	\$ 6,513	\$ -	\$ 35,073	\$ 35,073
Total Governmental	<u>\$ 28,560</u>	<u>\$ 6,513</u>	<u>\$ -</u>	<u>\$ 35,073</u>	<u>\$ 35,073</u>
<b>Business-Type Activities</b>					
Enterprise Bond/Loans					
1998 Sewer Bond	\$ 598,155	\$ -	\$ 598,155	\$ -	\$ -
2018 Loan	-	550,000	-	550,000	55,000
Digger Derrick	41,396	-	15,524	25,872	15,087
Water Project Loan	-	1,965,059	-	1,965,059	-
Total Enterprise Bond/Loans	<u>639,551</u>	<u>2,515,059</u>	<u>613,679</u>	<u>2,540,931</u>	<u>70,087</u>
Compensated Absences	<u>20,478</u>	<u>-</u>	<u>3,654</u>	<u>16,823</u>	<u>16,823</u>
Total Enterprise	<u>\$ 660,029</u>	<u>\$ 2,515,059</u>	<u>\$ 617,333</u>	<u>\$ 2,557,754</u>	<u>\$ 86,910</u>

**A. Notes Payable**

Business-Type Activities

Digger Derrick: In March 2015 the City purchased equipment valued at \$92,318, of which \$72,818 was financed. The City will repay this amount in monthly payments over 5 years with 2.54% interest. After payments made in 2018, the remaining balance is as follows:

\$ 25,872

**Digger Derrick**

	Principal	Interest
2019	\$ 15,087	\$ 436
2020	<u>10,785</u>	<u>76</u>
Total	<u>\$ 25,872</u>	<u>\$ 512</u>

Water Project Loan: In July 2017 the City obtained interim financing for up to \$3,764,515 to complete Water System Upgrades. The City will begin repaying this loan once the project is complete. Current drawdowns of the loan total:

\$ 1,965,059

2018 Loan: In May 2018 the City refinanced Sewer Bonds noted below for the remaining balance of \$550,000. The City will repay this amount in semiannual interest and annual principal payments over 9 years with 3% interest. After payments made in 2018, the remaining balance is as follows:

\$ 550,000

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**2018 Loan**

	Principal	Interest
2019	\$ 55,000	\$ 11,546
2020	55,000	18,050
2021	60,000	16,400
2022	60,000	14,600
2023	65,000	12,800
2024-2028	<u>255,000</u>	<u>24,600</u>
Total	<u>\$ 550,000</u>	<u>\$ 97,996</u>

**B. Bonds Payable**

1. Sewer bonds outstanding at June 30, 2018 are as follows:

Business-type Activities

Bonds payable consists of a Rural Utilities Service Sewer Revenue serial bond issued in 1998. The City refinanced this bond into the 2018 Loan noted above. After payments made in 2018, the remaining balance is as follows:

\$ 0

**7. Pension Plan**

**A. Plan Description**

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

**B. 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 fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under 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

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45 for fire). General service employees may retire after reaching age 55. Fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**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 fire members) when determining the monthly benefit.

**Benefit Changes**

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

**2. OPSRP Pension Program (OPSRP DB)**

**Pension Benefits**

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

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

General service: 1.5 percent is multiplied by the number of years of service and the

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final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

**Death Benefits**

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

**Disability Benefits**

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

**Benefit Changes After Retirement**

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

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**C. Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. 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, 2018 were \$157,872, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 31.17 percent for Tier One/Tier Two General Service Member, 21.57 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program.

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the City reported a liability of \$1,187,763 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2018, the City's proportion was 0.0088 percent, which was increased from its proportion of 0.0087 percent measured as of June 30, 2017.

For the year ended June 30, 2018, the City's recognized pension expense of \$114,338.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,441	\$ -
Changes of assumptions	216,508	-
Net difference between projected and actual earnings on investments	12,237	-
Changes in proportion	15,680	15,925
Differences between employer contributions and proportionate share of contributions	<u>67,652</u>	<u>-</u>
Total (prior to post-MD contributions)	369,518	15,925
Contributions subsequent to the MD	<u>157,872</u>	<u>-</u>
Total	<u>\$ 527,390</u>	<u>\$ 15,925</u>

\$157,872 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources

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

<b>Year ended June 30:</b>	
2019	\$ 70,441
2020	165,493
2021	121,575
2022	(11,189)
2023	<u>7,273</u>
Total	<u>\$ 353,593</u>

**E. Actuarial assumptions**

The employer contribution rates effective July 1, 2017, through June 30, 2018, were set using the entry age normal method.

For the ORS 238 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), and (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 ORS 238A OPSRP Pension Program 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 actuarially determined amount for funding a disability benefit component, and (3) 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

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<b>Valuation Date</b>	December 31, 2015
<b>Measurement Date</b>	June 30, 2017
<b>Experience Study Report</b>	2014, published September 2015
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial Assumptions:</b>	
<b>Inflation Rate</b>	2.50 percent
<b>Long-Term Expected Rate of Return</b>	7.50 percent
<b>Discount Rate</b>	7.50 percent
<b>Projected Salary Increases</b>	3.50 percent overall payroll growth
<b>Cost of Living Adjustments (COLA)</b>	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
<b>Mortality</b>	Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

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.

**F. 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.

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<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
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	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.30%	6.99%
Micro Cap US Equities	1.30%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-Driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	<u>100.00%</u>	

Assumed Inflation - Mean 2.50%

**G. 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 plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A

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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 an 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.

**H. Discount rate**

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 2,024,164	\$ 1,187,763	\$ 488,376

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**J. Pension plan fiduciary net position**

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

**K. Payables to the pension plan**

The City reports payables in the amount of \$7,564 payable to the pension plan.

**L. Changes in Plan Provisions During the Measurement Period**

There were no changes during the June 30, 2017 measurement period that require disclosure.

**M. Changes in Plan Provisions Subsequent to Measurement Date**

On July 28, 2017, subsequent to the June 30, 2017 measurement date, the OSPERS Board lowered the assumed rate to 7.2 percent. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The new rate will take effect January 1, 2018. The effect on the City has not been determined.

**8. Other Postemployment Benefits Other than Pensions**

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

**A. Financial Statement Presentation**

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	<u>Implicit Rate Subsidy Plan</u>	<u>PERS RHIA Plan</u>	<u>Total OPEB on Financials</u>
Net OPEB Asset	\$ -	\$ 2,504	\$ 2,504
Deferred Outflows of Resources			
Change in Proportionate Share	-	-	-
Contributions After MD	27,025	3,361	30,386
Total OPEB Liability	(105,935)	-	(105,935)
Deferred Inflows of Resources			
Difference in Experience	(5,143)	-	(5,143)
Difference in Earnings	-	(1,160)	(1,160)
Change in Proportionate Share	-	(244)	(244)
OPEB Expense/(Income)*	7,303	(77)	7,226

\*Included in program expenses on Statement of Activities

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**B. Implicit Rate Subsidy**

**1. Plan Description**

The City’s single-employer defined benefit postemployment healthcare plan is administered by CityCounty Insurance Services (CIS). Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The City’s postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for CIS. This report may be obtained through their website at: <https://www.cisoregon.org/About/TrustDocs>.

**2. Benefits Provided**

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	2
Active employees	11
	<u>13</u>

**3. Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The City’s total OPEB liability of \$105,935 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$7,303. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ -	\$ 5,143
Contributions subsequent to the MD	27,025	-
Total	<u>\$ 27,025</u>	<u>\$ 5,143</u>

Deferred outflows of resources related to OPEB of \$27,025 resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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<b>Year ended June 30:</b>	
2019	\$ (768)
2020	(768)
2021	(768)
2022	(768)
2023	(768)
Thereafter	<u>(1,303)</u>
<b>Total</b>	<b><u>\$ (5,143)</u></b>

**4. Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Valuation Date</b>	July 1, 2016
<b>Measurement Date</b>	June 30, 2017
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial Assumptions:</b>	
<b>Inflation Rate</b>	2.50 percent
<b>Discount Rate</b>	3.58 percent
<b>Projected Salary Increases</b>	3.50 percent overall payroll growth
<b>Medical Cost Rates</b>	7% for 2018, cost trends fluctuating between 7.5% and 5.0% due to the timing of the excise tax scheduled to affect health care benefits. The trend settled to rate of 5.0% in 2064 and years after.
<b>Mortality</b>	Health retirees and beneficiaries: RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

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**5. Changes in the Total OPEB Liability**

Changes in assumptions is the result of the change in the discount rate from 2.85 to 3.58.

	<u>Total OPEB Liability</u>
Balance as of June 30, 2017	\$ 127,409
Changes for the year:	
Service cost	4,642
Interest on Total OPEB Liability	3,429
Effect of assumptions changes or inputs	(5,911)
Benefit payments	(23,634)
Balance as of June 30, 2018	<u>\$ 105,935</u>

**6. Sensitivity of the Total OPEB Liability**

The following presents the City’s OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

**Discount Rate:**

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 113,113	\$ 105,935	\$ 99,543

**Healthcare Cost Trend:**

	<u>1% Decrease (6.5% decreasing to 4.0%)</u>	<u>Current Health Care Trend Rates (7.5% decreasing to 5.0%)</u>	<u>1% Increase (8.5% decreasing to 6.0%)</u>
Total OPEB Liability	\$ 97,950	\$ 105,935	\$ 115,943

**C. PERS Retirement Health Insurance Account**

**1. Plan Description**

The City contributes to the PERS 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 PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. 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 hired after August 29, 2003. PERS issues publicly available 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, or online at [http://Oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://Oregon.gov/PERS/section/financial_reports/financials.shtml).

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**2. Benefits Provided**

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 RHIA 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.

**3. Contributions**

PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2018 contributions was \$3,361.

**4. OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the City reported an asset of \$2,504 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2018, the City's proportionate share was 0.0060%, which is a decrease from its proportion of 0.0072% as of June 30, 2017.

For the year ended June 30, 2018, the City recognized OPEB income from this plan of \$77. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 1,160
Changes in proportionate share	-	244
Contributions subsequent to the MD	<u>3,361</u>	<u>-</u>
Total	<u>\$ 3,361</u>	<u>\$ 1,404</u>

Deferred outflows of resources related to OPEB of \$3,361 resulting from the City’s contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2019	\$ (520)
2020	(520)
2021	(364)
2022	-
2023	<u>-</u>
Total	<u>\$ (1,404)</u>

**5. Actuarial Methods and Assumptions**

The total OPEB asset in the December 31, 2015 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in Note 7 – Pension Plan Actuarial Assumptions and an additional assumption for healthcare cost trend rate ranging from 6.3% in 2016 to 4.4% in 2094.

**6. Long-Term Expected Rate of Return**

Are the same as listed above in Note 7 – Pension Plan Long-term Expected Rate of Return.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.50% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

**7. Sensitivity of the City’s proportionate share of the net OPEB liability (asset) to changes in the discount rate**

The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net OPEB liability (asset)

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

<b>Discount Rate:</b>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Total OPEB Liability	\$ 349	\$ (2,504)	\$ (4,931)

**8. OPEB Plan Fiduciary Net Position**

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

**9. Changes in Plan Provisions Subsequent to Measurement Date**

The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods. The effect on the City has not been determined.

**9. Change in Accounting Principle**

In implementing GASB Statement No. 75, the City has restated beginning net position in order to recognize the correct Total OPEB Liability for the City’s Implicit Rate Subsidy plan and to recognize the City’s proportionate share of the Net OPEB Asset of the Oregon Public Employees Retirement Systems (OPERS). The City had previously reported a Net OPEB Obligation in accordance with GASB Statement No. 45 related to the Implicit Rate Subsidy plan, which has been replaced with the Total OPEB Liability. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017 measurement date.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position - beginning (as reported)	\$ 2,494,514	\$ 8,381,781	\$ 10,876,295
Cumulative effect of change in accounting principle	<u>(45,744)</u>	<u>(56,634)</u>	<u>(102,378)</u>
Net position - beginning (as restated)	<u>\$ 2,448,770</u>	<u>\$ 8,325,147</u>	<u>\$ 10,773,917</u>

**10. Property Tax Calendar**

Real and personal property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Washington County and remitted to the City. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established.

**11. Risk Management**

The City is exposed to various risks of loss related to errors and omissions; automobile; damage to or destruction of assets; bodily injury; and worker’s compensation for which the City carries commercial

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

**12. New Accounting Pronouncement – GASB Statement No. 75**

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement 75 replaces GASB Statement 45, GASB Statement 57, and GASB Statement 74 and establishes new accounting and financial reporting requirements for OPEB plans. GASB Statement 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The City implemented Statement 75 for the City’s two post-employment benefit plans for the year ending June 30, 2018.

**13. Deficit Fund Balances**

The following fund had a deficit fund balance at June 30, 2018. This deficit will be financed through future revenues.

<u>Fund</u>	<u>Amount</u>
Electrical Fund	\$ 21,886

**REQUIRED SUPPLEMENTARY INFORMATION**

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedules
  - General Fund
  - State Tax Street Fund
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions Pension
- Schedule of Changes in Total OPEB Liabilities & Related Ratio's - Implicit Rate Subsidy
- Schedule of Contributions OPEB - Implicit Rate Subsidy
- Schedule of the Proportionate Share of the OPEB - OPERS
- Schedule of Contributions OPEB - OPERS

**CITY OF CASCADE LOCKS, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 215,000	\$ 215,000	\$ 235,401	\$ 20,401
Franchise fees	4,700	4,700	5,486	786
Charges for services	163,450	163,450	162,882	(568)
Intergovernmental	29,875	29,875	51,458	21,583
Fines and forfeitures	75	75	-	(75)
Special assessments	154,000	154,000	154,010	10
Interest	1,400	1,400	4,092	2,692
Miscellaneous	1,000	1,000	2,774	1,774
Rents	1,600	1,600	1,600	-
Total revenues	<u>571,100</u>	<u>571,100</u>	<u>617,703</u>	<u>46,603</u>
<b>EXPENDITURES:</b>				
General government	304,395	302,695	188,340	114,355
Public safety	100,070	100,070	96,219	3,851
Culture and recreation	129,337	131,037	81,231	49,806
Capital outlay	14,600	14,600	9,068	5,532
Contingency	56,942	56,942	-	56,942
Total expenditures	<u>605,344</u>	<u>605,344</u>	<u>374,858</u>	<u>230,486</u>
Revenues over (under) expenditures	<u>(34,244)</u>	<u>(34,244)</u>	<u>242,845</u>	<u>277,089</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	20,000	20,000	-
Transfers out	<u>(205,756)</u>	<u>(225,756)</u>	<u>(225,756)</u>	<u>-</u>
Total other financing sources (uses)	<u>(205,756)</u>	<u>(205,756)</u>	<u>(205,756)</u>	<u>-</u>
Net changes in fund balance	<u>(240,000)</u>	<u>(240,000)</u>	<u>37,089</u>	<u>277,089</u>
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>				
	<u>240,000</u>	<u>240,000</u>	<u>270,336</u>	<u>30,336</u>
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>307,425</u>	<u>\$ 307,425</u>

**CITY OF CASCADE LOCKS, OREGON**  
**STATE TAX STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

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	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
State gas tax	\$ 69,000	\$ 69,000	\$ 74,771	\$ 5,771
Licenses and permits	1,000	1,000	6,100	5,100
Interest	500	500	1,905	1,405
Miscellaneous	-	-	378	378
Total revenues	<u>70,500</u>	<u>70,500</u>	<u>83,154</u>	<u>12,654</u>
<b>EXPENDITURES:</b>				
Personnel services	55,749	55,749	27,327	28,422
Materials and service	21,132	21,132	10,984	10,148
Capital outlay	35,000	35,000	-	35,000
Contingency	42,929	42,929	-	42,929
Total expenditures	<u>154,810</u>	<u>154,810</u>	<u>38,311</u>	<u>116,499</u>
Revenues over (under) expenditures	<u>(84,310)</u>	<u>(84,310)</u>	<u>44,843</u>	<u>129,153</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(10,690)</u>	<u>(10,690)</u>	<u>(10,690)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,690)</u>	<u>(10,690)</u>	<u>(10,690)</u>	<u>-</u>
Net changes in fund balance	(95,000)	(95,000)	34,153	129,153
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	<u>95,000</u>	<u>95,000</u>	<u>117,597</u>	<u>22,597</u>
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,750</u>	<u>\$ 151,750</u>

**CITY OF CASCADE LOCKS, OREGON**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Last Four Fiscal Years**

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Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00881127%	\$ 1,187,763	\$ 709,681	160.61%	83.10%
2016	0.00874994%	1,313,569	739,513	177.63%	80.53%
2015	0.00847096%	486,357	654,057	74.36%	91.90%
2014	0.01017141%	(230,556)	550,106	-41.91%	103.60%
2013	0.00847096%	519,062	654,057	79.36%	91.97%

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

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

**CITY OF CASCADE LOCKS, OREGON**  
**SCHEDULE OF CONTRIBUTIONS PENSION**  
**For the Last Four Fiscal Years**

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Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 157,872	\$ 157,872	\$ -	\$ 709,681	22.25%
2017	119,040	119,040	-	739,513	16.10%
2016	142,027	142,027	-	654,057	21.71%
2015	69,138	69,138	-	550,106	12.57%
2014	112,061	112,061	-	654,057	17.13%

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

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

**CITY OF CASCADE LOCKS, OREGON**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIO'S - IMPLICIT RATE SUBSIDY**  
**For the Ten Fiscal Years<sup>1</sup>**

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service Interest	\$ 4,642
Interest	3,429
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(5,911)
Benefit payment	<u>(23,634)</u>
<b>Net change in total OPEB liability</b>	<u>(21,474)</u>
<b>Total OPEB liability - beginning</b>	<u>127,409</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>105,935</u></u>
Covered payroll	\$ 654,654
Total OPEB liability as a percentage of covered- employee payroll	16.18%

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

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF CASCADE LOCKS, OREGON**  
**SCHEDULE OF CONTRIBUTIONS OPEB - IMPLICIT RATE SUBSIDY**  
**For the Last 10 Fiscal Years<sup>1</sup>**

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 27,024	\$ 27,024	\$ -	\$ 654,654	4.13%
2017	23,634	23,634	-	739,513	3.20%

**NOTES TO SCHEDULE**

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

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is

**Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions**

Actuarial valuation:	July 1, 2016
Effective:	July 2016 - June 2018
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Amortization period:	8.9 years
Asset valuation method:	Market value
Remaining amortization periods:	20 years
Actuarial assumptions	
Inflation rate	2.50 percent
Projected salary increases	3.50 percent
Investment rate of return	7.85 percent

**CITY OF CASCADE LOCKS, OREGON**  
**SCHEDULE OF PROPORTIONATE SHARE OPEB - OPERS**  
**For the Ten Fiscal Years<sup>1</sup>**

Measurement Date June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2017	0.00599986%	\$ (2,504)	\$ 739,513	-0.34%	108.90%

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

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

Changes of Assumptions:

The Board reviews the discount rate in odd-numbered years as part of the Boards adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.2% assumed rate.

The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Board's policy decision from 2013 that the assumed rate will be effective January 1 following the Board's adoption of the rate.

**CITY OF CASCADE LOCKS, OREGON**  
**SCHEDULE OF CONTRIBUTIONS OPEB - OPERS**  
**For the Last Ten Fiscal Years<sup>1</sup>**

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 3,361	\$ 3,361	-	\$ 654,654	0.51%
2017	2,987	2,987	-	739,513	0.40%

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

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2013	December 31, 2011
Effective:	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	10 years
Asset valuation method:	Market value	Market value
Remaining amortization periods:	20 years	N/A
Actuarial assumptions		
Inflation rate	2.75 percent	2.75 percent
Projected salary increases	3.75 percent	3.75 percent
Investment rate of return	7.75 percent	8.00 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance

**CITY OF CASCADE LOCKS, OREGON**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

**Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. The City's budget is presented on the modified accrual basis of accounting which is the same basis as GAAP.

Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution. The City budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund. Expenditure categories of personal services, materials and services, capital outlay, debt service, transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking the approval of the Council. The City had supplemental budgets during the year-ended June 30, 2018. Appropriations lapse as of year-end.

**B. Deficit Fund Balances**

At June 30, 2018, the following funds had a deficit budgetary basis fund balance:

<u>Fund</u>	<u>Amount</u>
Electrical Fund	\$ 21,886

**C. Changes in Benefit Terms**

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

**D. Changes of Assumptions**

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

## **OTHER SUPPLEMENTARY INFORMATION**

## OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedule:

## COMBINING STATEMENTS

Nonmajor Governmental Funds

### **Special Revenue Funds**

These funds account for revenue derived from specific taxes or other earmarked revenue sources, which are legally restricted to expenditures for specified purposes. Funds included in this category are:

### **System Development Fund**

The System Development Fund accounts for the revenue reserved for new infrastructure and is collected when a building permit is issued.

### **Grants Fund**

The Grants fund accounts for all grants and activities received from grants.

### **Tourism Fund**

The Tourism Fund accounts for 30% of Transient Room Tax submitted by local overnight establishments and is collected on a quarterly basis.

### **Cemetery Trust Fund**

The Cemetery Trust Fund accounts for 30% of the revenue fees associated with the Cemetery.

**CITY OF CASCADE LOCKS, OREGON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2018**

	System Development Fund	Grants Fund	Tourism Fund	Cemetery Trust Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 377,829	\$ 91	\$ 13,999	\$ 8,732	\$ 400,651
Accounts receivable	-	-	19,498	-	19,498
Total assets	<u>\$ 377,829</u>	<u>\$ 91</u>	<u>\$ 33,497</u>	<u>\$ 8,732</u>	<u>\$ 420,149</u>
<b>LIABILITIES:</b>					
Accounts payable and other current liabilities	\$ -	\$ -	\$ 323	\$ -	\$ 323
Total liabilities	-	-	323	-	323
<b>FUND BALANCES:</b>					
Restricted for:					
Cemetery maintenance	-	-	-	8,732	8,732
System development	377,829	-	-	-	377,829
Tourism	-	-	33,174	-	33,174
Assigned to:					
Capital projects	-	91	-	-	91
Total fund balances	<u>377,829</u>	<u>91</u>	<u>33,174</u>	<u>8,732</u>	<u>419,826</u>
Total liabilities and fund balances	<u>\$ 377,829</u>	<u>\$ 91</u>	<u>\$ 33,497</u>	<u>\$ 8,732</u>	<u>\$ 420,149</u>

**CITY OF CASCADE LOCKS, OREGON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2018**

	System Development Fund	Grants Fund	Tourism Fund	Cemetery Trust Fund	Total
<b>REVENUES:</b>					
Grants	\$ -	\$ 13,015	\$ -	\$ -	\$ 13,015
Charges for service	-	-	-	210	210
Special assessments	-	-	66,005	-	66,005
Interest	4,822	-	1,073	163	6,058
Miscellaneous	-	-	3,270	-	3,270
System development charges	94,921	-	-	-	94,921
Total revenues	99,743	13,015	70,348	373	183,479
<b>EXPENDITURES:</b>					
General government	-	5,298	-	-	5,298
Culture and recreation	-	-	71,150	-	71,150
Capital outlay	2,808	-	-	-	2,808
Total expenditures	2,808	5,298	71,150	-	79,256
Revenues over (under) expenditures	96,935	7,717	(802)	373	104,223
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	-	-	(50,000)	(3,039)	(53,039)
Total other financing sources (uses)	-	-	(50,000)	(3,039)	(53,039)
Net change in fund balances	96,935	7,717	(50,802)	(2,666)	51,184
<b>FUND BALANCE, BEGINNING GAAP</b>	280,894	(7,626)	83,976	11,398	368,642
<b>FUND BALANCE, ENDING GAAP</b>	\$ 377,829	\$ 91	\$ 33,174	\$ 8,732	\$ 419,826

## BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Governmental Budgetary Comparison Schedules included the following:

- General Fund Schedule of Expenditures
- Capital Reserve 08 Fund
- Nonmajor Special Revenue Funds
  - System Development Fund
  - Grants Fund
  - Tourism Fund
  - Cemetery Trust Fund

**CITY OF CASCADE LOCKS, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Administrative:				
Personnel services	\$ 224,549	\$ 224,549	\$ 163,483	\$ 61,066
Materials and services	47,346	45,646	10,603	35,043
Capital outlay	13,000	13,000	8,672	4,328
Subtotal	284,895	283,195	182,758	100,437
Planning:				
Materials and services	32,500	32,500	14,254	18,246
Subtotal	32,500	32,500	14,254	18,246
Agency:				
Materials and services	8,870	8,870	5,019	3,851
Capital outlay	1,600	1,600	396	1,204
Subtotal	10,470	10,470	5,415	5,055
Property:				
Personnel services	77,353	77,353	49,813	27,540
Materials and services	39,903	39,903	18,151	21,752
Subtotal	117,256	117,256	67,964	49,292
Police:				
Materials and services	91,200	91,200	91,200	-
Subtotal	91,200	91,200	91,200	-
Museum:				
Materials and services	1,750	2,250	2,114	136
Subtotal	1,750	2,250	2,114	136
Community relations:				
Materials and services	10,331	11,531	11,153	378
Subtotal	10,331	11,531	11,153	378
Total expenditures	\$ 548,402	\$ 548,402	\$ 374,858	\$ 173,544

**CITY OF CASCADE LOCKS, OREGON**  
**CAPITAL RESERVE 08 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ 6,000	\$ 6,000	\$ 17,036	\$ 11,036
Miscellaneous	-	-	63,251	63,251
Total revenues	6,000	6,000	80,287	74,287
<b>EXPENDITURES:</b>				
Capital outlay	1,204,659	1,104,659	80,844	1,023,815
Total expenditures	1,204,659	1,104,659	80,844	1,023,815
Revenues over (under) expenditures	(1,198,659)	(1,098,659)	(557)	1,098,102
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund loan proceeds (payments)	82,916	82,916	82,914	(2)
Transfers in	222,790	222,790	223,008	218
Transfers out	(50,000)	(150,000)	(100,000)	50,000
Total other financing sources (uses)	255,706	155,706	205,922	50,216
Net changes in fund balance	(942,953)	(942,953)	205,365	1,148,318
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	<u>942,953</u>	<u>942,953</u>	<u>1,045,759</u>	<u>102,806</u>
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,251,124</u>	<u>\$ 1,251,124</u>
<b>INTERFUND LOAN RECEIVABLE</b>			<u>3,377</u>	
<b>FUND BALANCE, ENDING GAAP</b>			<u>\$ 1,254,501</u>	

**CITY OF CASCADE LOCKS, OREGON  
SYSTEM DEVELOPMENT FUND  
COMBINING SCHEDULE OF NET POSITION  
AND CHANGES IN Net Position  
For the Fiscal Year Ended June 30, 2018**

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	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ 1,700	\$ 1,700	\$ 4,822	\$ 3,122
System development charges		-	94,921	94,921
Total revenues	1,700	1,700	99,743	98,043
<b>EXPENDITURES:</b>				
Capital outlay	253,700	253,700	2,808	250,892
Total expenditures	253,700	253,700	2,808	250,892
Net changes in fund balances	(252,000)	(252,000)	96,935	348,935
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	252,000	252,000	280,894	28,894
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	\$ -	\$ -	\$ 377,829	\$ 377,829

**CITY OF CASCADE LOCKS, OREGON**  
**GRANTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

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	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Grants	\$ 145,000	\$ 145,000	\$ 13,015	(131,985)
Total revenues	145,000	145,000	13,015	(131,985)
<b>EXPENDITURES:</b>				
Materials and service	198,000	198,000	5,298	192,702
Total expenditures	198,000	198,000	5,298	192,702
Revenues over (under) expenditures:	(53,000)	(53,000)	7,717	60,717
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	53,000	53,000	-	(53,000)
Total other financing sources (uses):	53,000	53,000	-	(53,000)
Net changes in fund balance	-	-	7,717	7,717
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	-	-	(7,626)	(7,626)
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91</u>	<u>\$ 91</u>

**CITY OF CASCADE LOCKS, OREGON**  
**TOURISM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$ 66,000	\$ 66,000	\$ 66,005	\$ 5
Interest	1,000	1,000	1,073	73
Miscellaneous	2,000	2,000	3,270	1,270
Total revenues	<u>69,000</u>	<u>69,000</u>	<u>70,348</u>	<u>1,348</u>
<b>EXPENDITURES:</b>				
Materials and service	85,920	85,920	71,150	14,770
Contingency	30,080	30,080	-	30,080
Total expenditures	<u>116,000</u>	<u>116,000</u>	<u>71,150</u>	<u>44,850</u>
Revenues over (under) expenditures	<u>(47,000)</u>	<u>(47,000)</u>	<u>(802)</u>	<u>46,198</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(53,000)</u>	<u>(53,000)</u>	<u>(50,000)</u>	<u>3,000</u>
Total other financing sources (uses)	<u>(53,000)</u>	<u>(53,000)</u>	<u>(50,000)</u>	<u>3,000</u>
Net changes in fund balance	(100,000)	(100,000)	(50,802)	49,198
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	<u>100,000</u>	<u>100,000</u>	<u>83,976</u>	<u>(16,024)</u>
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,174</u>	<u>\$ 33,174</u>

**CITY OF CASCADE LOCKS, OREGON  
CEMETERY TRUST FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018**

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	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ -	\$ -	\$ 210	\$ 210
Interest	-	-	163	163
Total revenues	-	-	373	373
<b>EXPENDITURES:</b>				
Capital outlay	8,321	8,321	-	8,321
Total expenditures	8,321	8,321	-	8,321
Revenues over (under) expenditures	(8,321)	(8,321)	373	8,694
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(3,039)	(3,039)	(3,039)	-
Total other financing sources (uses)	(3,039)	(3,039)	(3,039)	-
Net changes in fund balance	(11,360)	(11,360)	(2,666)	8,694
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	11,360	11,360	11,398	38
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	\$ -	\$ -	\$ 8,732	\$ 8,732

## **BUDGETARY COMPARISON STATEMENTS AND SCHEDULES**

### **Enterprise Funds**

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison statements and schedules include the following:

- Electrical Fund
- Emergency Services Fund
- Sewer Operations
  - Sewer Fund
  - Sewer Bond Fund
- Water Fund
- Nonmajor Proprietary Funds
  - CATV Fund
  - Cemetery Fund

**CITY OF CASCADE LOCKS, OREGON**  
**ELECTRICAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 1,764,390	\$ 1,764,390	\$ 1,807,474	\$ 43,084
Interest	350	350	846	496
Miscellaneous	15,000	15,000	93,666	78,666
<b>Total revenues</b>	<b>1,779,740</b>	<b>1,779,740</b>	<b>1,901,986</b>	<b>122,246</b>
<b>EXPENDITURES:</b>				
Personnel services	728,161	728,161	636,475	91,686
Materials and service	1,128,850	1,228,850	1,290,642	(61,792) *
Capital outlay	18,500	18,500	6,270	12,230
Debt service:				
Principal	14,678	14,678	14,680	(2) *
Interest	846	846	843	3
Contingency	10,105	10,105	-	10,105
<b>Total expenditures</b>	<b>1,901,140</b>	<b>2,001,140</b>	<b>1,948,910</b>	<b>52,230</b>
Revenues over (under) expenditures	(121,400)	(221,400)	(46,924)	174,476
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	100,000	100,000	-
Transfers out	(3,600)	(3,600)	(3,600)	-
<b>Total other financing sources (uses)</b>	<b>(3,600)</b>	<b>96,400</b>	<b>96,400</b>	<b>-</b>
Net changes in fund balance	(125,000)	(125,000)	49,476	174,476
<b>FUND BALANCE, BEGINNING</b>	<b>125,000</b>	<b>125,000</b>	<b>(71,362)</b>	<b>(196,362)</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (21,886)</b>	<b>\$ (21,886)</b>
			<b>Revenues</b>	<b>Expenditures</b>
Total revenue and expenditures above			\$ 1,901,986	\$ 1,948,910
Transfers in/out			96,400	-
Expenditure capitalized			-	(98,936)
Debt service principal payments			-	(15,523)
Depreciation and amortization expense			-	148,382
Net pension activity			-	(3,605)
Net OPEB activity			-	(7,929)
<b>Total revenues and expenses - generally accepted accounting principles</b>			<b>\$ 1,998,386</b>	<b>1,971,299</b>
Change in net position				<b>\$ 27,087</b>

\* Budgetary appropriation includes personnel services, materials and services, capital outlay and debt service

**CITY OF CASCADE LOCKS, OREGON**  
**EMERGENCY SERVICES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ 206,500	\$ 206,500	\$ 180,897	\$ (25,603)
Licenses and permits	-	-	100	100
Interest	100	100	638	538
Miscellaneous	3,500	3,500	144,017	140,517
<b>Total revenues</b>	<b>210,100</b>	<b>210,100</b>	<b>325,652</b>	<b>115,552</b>
<b>EXPENDITURES:</b>				
Personnel services	281,536	281,536	281,353	183
Materials and service	96,486	96,486	94,608	1,878
Capital outlay	35,500	35,500	1,005	34,495
Contingency	4,418	4,418	-	4,418
<b>Total expenditures</b>	<b>417,940</b>	<b>417,940</b>	<b>376,966</b>	<b>40,974</b>
Revenues over (under) expenditures	(207,840)	(207,840)	(51,314)	156,526
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund loan proceeds (payments)	(82,916)	(82,916)	(82,915)	1
Transfers in	200,756	220,756	220,756	-
Transfers out	-	(20,000)	(20,000)	-
<b>Total other financing sources (uses)</b>	<b>117,840</b>	<b>117,840</b>	<b>117,841</b>	<b>1</b>
Net changes in fund balance	(90,000)	(90,000)	66,527	156,527
<b>FUND BALANCE, BEGINNING</b>	<b>90,000</b>	<b>90,000</b>	<b>6,690</b>	<b>(83,310)</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,217</b>	<b>\$ 73,217</b>

	Revenues	Expenditures
Total revenue and expenditures above	\$ 325,652	\$ 376,966
Transfers in/out	200,756	-
Depreciation and amortization expense	-	72,200
Net pension activity	-	37,412
Net OPEB activity	-	(2,644)
<b>Total revenues and expenses - generally accepted accounting principles</b>	<b>\$ 526,408</b>	<b>483,934</b>
<b>Change in net position</b>		<b>\$ 42,474</b>

**CITY OF CASCADE LOCKS, OREGON**  
**SEWER OPERATIONS COMBINED**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Sewer Fund</u>	<u>Sewer Bond Fund</u>	<u>Total Sewer Operations</u>
<b>REVENUES:</b>			
Charges for service	\$ 399,560	\$ -	\$ 399,560
Interest	2,286	935	3,221
Miscellaneous	<u>75,377</u>	<u>-</u>	<u>75,377</u>
Total revenues	<u>477,223</u>	<u>935</u>	<u>478,158</u>
<b>EXPENDITURES:</b>			
Personnel services	32,450	-	32,450
Materials and service	251,335	-	251,335
Debt service:			
Principal	-	598,155	598,155
Interest	<u>-</u>	<u>29,556</u>	<u>29,556</u>
Total expenditures	<u>283,785</u>	<u>627,711</u>	<u>911,496</u>
Revenues over (under) expenditures	<u>193,438</u>	<u>(626,776)</u>	<u>(433,338)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Loan proceeds	-	550,000	550,000
Transfers in	-	77,711	77,711
Transfers out	<u>(177,711)</u>	<u>-</u>	<u>(177,711)</u>
Total other financing sources (uses)	<u>(177,711)</u>	<u>627,711</u>	<u>450,000</u>
Net change in fund balances	15,727	935	16,662
<b>FUND BALANCES, BEGINNING BUDGETARY BASIS</b>	<u>145,454</u>	<u>62,242</u>	<u>207,696</u>
<b>FUND BALANCES, ENDING BUDGETARY BASIS</b>	<u>\$ 161,181</u>	<u>\$ 63,177</u>	<u>\$ 224,358</u>

	<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above	\$ 478,158	\$ 911,496
Transfers in/out	-	100,000
Debt service principal payments	-	(598,155)
Depreciation and amortization expense	-	129,369
Interest revenue/expense	-	(15,239)
Net pension activity	-	(2,685)
Net OPEB activity	<u>-</u>	<u>(803)</u>
Total revenues and expenses - generally accepted accounting principles	<u>\$ 478,158</u>	<u>523,983</u>
Change in net position		<u>\$ (45,825)</u>

**CITY OF CASCADE LOCKS, OREGON**  
**SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ 390,000	\$ 390,000	\$ 399,560	\$ 9,560
Interest	1,400	1,400	2,286	886
Miscellaneous	1,000	1,000	75,377	74,377
<b>Total revenues</b>	<b>392,400</b>	<b>392,400</b>	<b>477,223</b>	<b>84,823</b>
<b>EXPENDITURES:</b>				
Personnel services	34,704	34,704	32,450	2,254
Materials and service	221,429	221,429	251,335	(29,906) *
Capital outlay	13,000	13,000	-	13,000
Contingency	60,556	60,556	-	60,556
<b>Total expenditures</b>	<b>329,689</b>	<b>329,689</b>	<b>283,785</b>	<b>45,904</b>
<b>Revenues over (under) expenditures</b>	<b>62,711</b>	<b>62,711</b>	<b>193,438</b>	<b>130,727</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(177,711)	(177,711)	(177,711)	-
<b>Total other financing sources (uses)</b>	<b>(177,711)</b>	<b>(177,711)</b>	<b>(177,711)</b>	<b>-</b>
<b>Net changes in fund balance</b>	<b>(115,000)</b>	<b>(115,000)</b>	<b>15,727</b>	<b>130,727</b>
<b>FUND BALANCE, BEGINNING</b>	<b>115,000</b>	<b>115,000</b>	<b>145,454</b>	<b>30,454</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 161,181</b>	<b>\$ 161,181</b>

\* Budgetary appropriation includes personnel services, materials and services, and capital outlay

**CITY OF CASCADE LOCKS, OREGON**  
**SEWER BOND FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

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	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ 325	\$ 325	\$ 935	\$ 610
Total revenues	325	325	935	610
<b>EXPENDITURES:</b>				
Debt service:				
Principal	106,564	106,564	598,155	(491,591) *
Interest	33,440	33,440	29,556	3,884
Total expenditures	140,004	140,004	627,711	(487,707)
Revenues over (under) expenditures	(139,679)	(139,679)	(626,776)	(487,097)
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	-	-	550,000	550,000 *
Transfers in	77,711	77,711	77,711	-
Total other financing sources (uses)	77,711	77,711	627,711	550,000
Net changes in fund balance	(61,968)	(61,968)	935	62,903
<b>FUND BALANCE, BEGINNING</b>	61,968	61,968	62,242	274
<b>FUND BALANCE, ENDING</b>	\$ -	\$ -	\$ 63,177	\$ 63,177

\* Exception to Local Budget Law

**CITY OF CASCADE LOCKS, OREGON**  
**WATER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ 261,100	\$ 261,100	\$ 345,226	\$ 84,126
Interest	350	350	1,410	1,060
Miscellaneous	500	500	22,422	21,922
Total revenues	261,950	261,950	369,058	107,108
<b>EXPENDITURES:</b>				
Personnel services	98,198	98,198	103,806	(5,608) *
Materials and service	3,974,672	3,974,672	2,317,309	1,657,363
Capital outlay	1,000	1,000	-	1,000
Contingency	49,095	49,095	-	49,095
Total expenditures	4,122,965	4,122,965	2,421,115	1,701,850
Revenues over (under) expenditures	(3,861,015)	(3,861,015)	(2,052,057)	1,808,958
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	3,764,515	3,764,515	1,965,058	(1,799,457)
Transfers in	3,600	3,600	3,600	-
Transfers out	(57,100)	(57,100)	(57,318)	(218)
Total other financing sources (uses)	3,711,015	3,711,015	1,911,340	(1,799,675)
Net changes in fund balance	(150,000)	(150,000)	(140,717)	9,283
<b>FUND BALANCE, BEGINNING</b>	150,000	150,000	193,846	43,846
<b>FUND BALANCE, ENDING</b>	\$ -	\$ -	\$ 53,129	\$ 53,129

	Revenues	Expenditures
Total revenue and expenditures above	\$ 369,058	\$ 2,421,115
Transfers in/out	-	53,718
Expenditure capitalized	-	(2,404,312)
Depreciation and amortization expense	-	34,277
Net pension activity	-	(4,116)
Net OPEB activity	-	(1,228)
Total revenues and expenses - generally accepted accounting principles	\$ 369,058	99,454
Change in net position		\$ 269,604

\* Budgetary appropriation includes personnel services, materials and services, and capital outlay

**CITY OF CASCADE LOCKS, OREGON**  
**NONMAJOR PROPRIETARY FUNDS COMBINED**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Business-Type Activities - Enterprise Funds		
	CATV Fund	Cemetery Fund	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,673	\$ 6,128	\$ 7,801
Total current assets	1,673	6,128	7,801
Nondepreciable	-	30,817	30,817
Total noncurrent assets	-	30,817	30,817
Total assets	<u>\$ 1,673</u>	<u>\$ 36,945</u>	<u>\$ 38,618</u>
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ -	\$ 170	\$ 170
Current portion of long-term debt	-	146	146
Total liabilities	-	316	316
<b>NET POSITION:</b>			
Net investment in capital assets	-	30,817	30,817
Unrestricted	1,673	5,812	7,485
Total net position	1,673	36,629	38,302
Total liabilities & net position	<u>\$ 1,673</u>	<u>\$ 36,945</u>	<u>\$ 38,618</u>

**CITY OF CASCADE LOCKS, OREGON**  
**NONMAJOR PROPRIETARY FUNDS COMBINED**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Total CATV</u>	<u>Total</u>	
	<u>Fund</u>	<u>Cemetery</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
Charges for service	\$ 24,750	\$ 2,415	\$ 27,165
Interest	-	62	62
	<u>24,750</u>	<u>2,477</u>	<u>27,227</u>
<b>EXPENDITURES:</b>			
Personnel services	-	2,081	2,081
Materials and service	20,243	1,505	21,748
	<u>20,243</u>	<u>3,586</u>	<u>23,829</u>
Revenues over (under) expenditures	<u>4,507</u>	<u>(1,109)</u>	<u>3,398</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	3,039	3,039
	<u>-</u>	<u>3,039</u>	<u>3,039</u>
Net change in fund balances	4,507	1,930	6,437
<b>FUND BALANCES, BEGINNING BUDGETARY BASIS</b>	<u>(4,360)</u>	<u>3,874</u>	<u>(486)</u>
<b>FUND BALANCES, ENDING BUDGETARY BASIS</b>	<u>\$ 147</u>	<u>\$ 5,804</u>	<u>\$ 5,951</u>
		<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above		\$ 27,227	\$ 23,829
Transfers in/out		<u>3,039</u>	<u>-</u>
Total revenues and expenses - generally accepted accounting principles		<u>\$ 30,266</u>	<u>23,829</u>
Change in net position			<u>\$ 6,437</u>

**CITY OF CASCADE LOCKS, OREGON**  
**CATV FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

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	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ 66,000	\$ 66,000	\$ 24,750	\$ (41,250)
Total revenues	66,000	66,000	24,750	(41,250)
<b>EXPENDITURES:</b>				
Materials and service	66,000	66,000	20,243	45,757
Total expenditures	66,000	66,000	20,243	45,757
Net changes in fund balance	-	-	4,507	4,507
<b>FUND BALANCE, BEGINNING</b>	-	-	(4,360)	(4,360)
<b>FUND BALANCE, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147</u>	<u>\$ 147</u>

**CITY OF CASCADE LOCKS, OREGON  
CEMETERY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for service	\$ 2,300	\$ 2,300	\$ 2,415	\$ 115
Interest	25	25	62	37
Total revenues	<u>2,325</u>	<u>2,325</u>	<u>2,477</u>	<u>152</u>
<b>EXPENDITURES:</b>				
Personnel services	5,187	5,187	2,081	3,106
Materials and service	<u>2,177</u>	<u>2,177</u>	<u>1,505</u>	<u>672</u>
Total expenditures	<u>7,364</u>	<u>7,364</u>	<u>3,586</u>	<u>3,778</u>
Revenues over (under) expenditures	(5,039)	(5,039)	(1,109)	3,930
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>3,039</u>	<u>3,039</u>	<u>3,039</u>	<u>-</u>
Total other financing sources (uses)	<u>3,039</u>	<u>3,039</u>	<u>3,039</u>	<u>-</u>
Net changes in fund balance	(2,000)	(2,000)	1,930	3,930
<b>FUND BALANCE, BEGINNING</b>	<u>2,000</u>	<u>2,000</u>	<u>3,874</u>	<u>1,874</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,804</u>	<u>\$ 5,804</u>

**CITY OF CASCADE LOCKS, OREGON**  
**SEWER OPERATIONS**  
**COMPARATIVE BALANCE SHEET**  
**For the Fiscal Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 112,357	\$ 120,450
Accounts receivables, net	71,078	34,111
Inventories	1,884	1,932
Total current assets	<u>185,319</u>	<u>156,493</u>
Restricted cash	63,479	62,544
Nondepreciable	1,000	1,000
Depreciable, net	<u>3,644,694</u>	<u>3,774,063</u>
Total noncurrent assets	<u>3,709,173</u>	<u>3,837,607</u>
Total assets	<u>3,894,492</u>	<u>3,994,100</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to pension	18,591	35,306
Deferred outflow related to OPEB	<u>1,071</u>	<u>-</u>
Total deferred outflows of resources	<u>19,662</u>	<u>35,306</u>
Total assets & deferred outflows of resources	<u>\$ 3,914,154</u>	<u>\$ 4,029,406</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 19,949	\$ 7,109
Interest payable	999	16,239
Current portion of long-term debt	<u>55,802</u>	<u>45,772</u>
Total current liabilities	<u>76,750</u>	<u>69,120</u>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of long-term debt	495,000	552,925
Net pension liability	41,871	59,907
Pension transitional liability	23,974	24,870
Net OPEB liability	<u>3,646</u>	<u>-</u>
Total noncurrent liabilities	<u>564,491</u>	<u>637,702</u>
Total liabilities	<u>641,241</u>	<u>706,822</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to pension	561	1,029
Deferred inflow related to OPEB	<u>231</u>	<u>-</u>
Total deferred inflows of resources	<u>792</u>	<u>1,029</u>
<b>NET POSITION:</b>		
Net investment in capital assets	3,094,892	3,176,908
Restricted for:		
Debt service (expendable)	63,177	62,242
Unrestricted	<u>114,052</u>	<u>82,405</u>
Total net position	<u>3,272,121</u>	<u>3,321,555</u>
Total liabilities & net position	<u>\$ 3,914,154</u>	<u>\$ 4,029,406</u>

**CITY OF CASCADE LOCKS, OREGON**  
**SEWER OPERATIONS**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES**  
**For the Fiscal Year Ended June 30, 2018**

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	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES:</b>		
Charges for service	\$ 399,560	\$ 388,554
Miscellaneous	75,377	59,155
	<u>474,937</u>	<u>447,709</u>
<b>OPERATING EXPENSES:</b>		
Personal services	28,962	43,767
Materials and services	251,335	216,854
Depreciation	129,369	129,639
	<u>409,666</u>	<u>390,260</u>
Total operating expenses	409,666	390,260
Operating income (loss)	65,271	57,449
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	3,221	1,742
Interest expense	(14,317)	(30,473)
	<u>(11,096)</u>	<u>(28,731)</u>
Total non-operating revenues (expenses)	(11,096)	(28,731)
Net income (loss) before operating transfers	54,175	28,718
<b>OPERATING TRANSFERS:</b>		
Transfers in (out)	(100,000)	(100,287)
Net income (loss)	<u>\$ (45,825)</u>	<u>\$ (71,569)</u>

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *OREGON STATE REGULATION***

**INDEPENDENT AUDITOR’S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *OREGON STATE REGULATION***

Honorable Mayor and City Council  
City of Cascade Locks, Oregon

We have audited the basic financial statements of City of Cascade Locks, Oregon, as of and for the year ended June 30, 2018 and have issued our report thereon dated December 27, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether City of Cascade Locks, Oregon’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- 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, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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. In connection with our testing, nothing came to our attention that caused us to believe City of Cascade Locks, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

1. Expenditures in excess of appropriations in the:
  - a. Water Fund      Transfers Out      \$218

2. At June 30, 2018, the following fund had a deficit budgetary basis fund balance:

<u>Fund</u>	<u>Amount</u>
Electrical Fund	\$21,886

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered City of Cascade Locks, Oregon’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Cascade Locks, Oregon’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Cascade Locks, 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 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 by 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP  
West Linn, Oregon  
December 27, 2018