

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

Annual Financial Report

Year Ended June 30, 2016

CITY OF LINCOLN CITY

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**CITY OF LINCOLN CITY**

**CITY COUNCIL**

**JUNE 30, 2016**

	<u>Term Expires</u>
Don Williams (Mayor) 2625 SE Dune Ave Lincoln City, Oregon 97367	December 31, 2018
Roger Sprague PO Box 286 Lincoln City, Oregon 97367	December 31, 2016
Susan Wahlke PO Box 1018 Lincoln City, Oregon 97367	December 31, 2018
James Davis 1292 NE Pepperwood. Lincoln City, Oregon 97367	December 31, 2018
Kip Ward PO Box 552 Lincoln City, Oregon 97367	December 31, 2018
Chester Noreikis 1421 NW 19 <sup>th</sup> Lincoln City, Oregon 97367	December 31, 2016
Wes Ryan 2820 NE 45 <sup>th</sup> St Lincoln City, Oregon 97367	December 31, 2016

**City Manager**

Ronald Chandler

**Finance Director**

Debbie Mammone

**INDEPENDENT AUDITOR'S REPORT**



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

*ACHIEVE MORE*

4800 Meadows Road, Suite 200  
Lake Oswego, Oregon 97035-4293

P 503.274.2849  
F 503.274.2853

[www.tkw.com](http://www.tkw.com)

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members of City Council  
City of Lincoln City  
Lincoln City, 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 the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Honorable Mayor and Members of City Council  
City of Lincoln City

### **OPINIONS**

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

### **OTHER MATTERS**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedules of Funding Progress OPEB, Contributions to Pension Plan, and Proportionate Share of Net Pension (Asset)/Liability, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information for the General Fund, Visitor and Convention Bureau Fund and Urban Renewal Fund, listed in the Table of Contents as Required Supplementary Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**INDEPENDENT AUDITOR'S REPORT (Continued)**

Honorable Mayor and Members of City Council  
City of Lincoln City

**OTHER MATTERS (Continued)**

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund and combining schedules and statements, and other schedules listed in the Table of Contents as 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 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Additional Schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 them.

**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 21, 2016, on our consideration of the City'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.

**TALBOT, KORVOLA & WARWICK, LLP**

By   
\_\_\_\_\_  
Timothy R. Gillette, Partner

Lake Oswego, Oregon  
December 21, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF LINCOLN CITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the City of Lincoln City (City) and the Lincoln City Urban Renewal Agency (Agency), a component unit of the City, for the fiscal year ended June 30, 2016. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget. Please read this analysis in conjunction with the City's financial statements, which follow.

#### FINANCIAL HIGHLIGHTS

The City's combined net position (total assets and deferred outflows less total liabilities and deferred inflows) was \$118,722,030 at June 30, 2016, an increase of \$278,958 (or 0.2%) over the prior year. The City's General Fund reported an ending fund balance of \$9,162,063, an increase of \$1,409,408 (or 18.2%) over the prior year's fund balance. The increase in fund balance is primarily attributable to increased property tax revenue from the annexation of Roads End and the change in the collection of property taxes by the Lincoln City Urban Renewal Agency.

The City and the City's Urban Renewal Agency did not issue any bonds during the 2015-16 fiscal year. The City and the City's Urban Renewal Agency have not budgeted to issue any bonds during the fiscal year ending June 30, 2017.

#### REPORT LAYOUT

This discussion and analysis is intended to serve as an introduction to the City of Lincoln City's basic financial statements. The City's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the City. The components of the report include the following:

*Independent auditor's report*

*Management's discussion and analysis (this report)*

*Government-wide financial statements*

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

- The Statement of Net Position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between assets plus deferred outflows and liabilities plus deferred inflows being reported as net position. Net position is separated into amounts restricted for specific purposes and unrestricted amounts. This statement focuses on resources available for future operations.
- The Statement of Activities presents revenue and expense information showing how the City's net position changed during the most recent fiscal year. This statement focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues.

### *Fund financial statements*

Fund financial statements focus separately on major governmental funds and proprietary funds (water/sewer). Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental funds." This section also includes reconciliations of the fund statements to the government-wide statements.

Statements for the City's proprietary funds include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The City is the trustee, or fiduciary, for certain funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### *Notes to basic financial statements*

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

### *Required Supplemental Information*

The schedule of the proportionate share of the net pension (asset)/liability, the schedule of pension plan contributions, and the schedule of funding progress – other post-employment benefits (OPEB) is included in this section. These schedules report additional pension and OPEB detail.

Budget information for the general and major special revenue funds are also included in this section. These schedules report revenues, expenditures, changes in fund balances, and related budgetary information.

### *Other Supplemental Information*

This section includes combining balance sheets, revenues, expenditures, and changes in fund balances, and budgetary information for the non-major governmental funds, which includes non-major special revenue funds, debt service funds, and capital projects funds. Following the governmental fund schedules are revenues, expenditures, and changes in fund balances, budgetary information, and reconciliation of revenues and expenditure to changes in fund net position for the City's proprietary funds. Also included are revenues, expenditures, and changes in fund balances for the City's internal service fund. Next are the combining balance sheets, revenues, expenditures, and changes in fund balances, and budgetary information for the City's general funds, followed by a combining statement of assets and liabilities for the City's agency funds.

### *Additional Schedules*

This section contains property tax information, and annual disclosure information in conformance with SEC Rule 15c2-12, and System Development Charges in accordance with ORS 223.311.

*Independent auditor's report required by Oregon state regulations.* Supplemental communication on City compliance and internal controls as required by Oregon statutes.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Position. The City's combined net position (total assets and deferred outflows less total liabilities and deferred inflows) was \$118,722,030 at June 30, 2016, an increase of \$278,958 (or 0.2%) over the prior year.

Table 1  
NET POSITION

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
<b>Assets:</b>						
Cash and investments	\$ 18,674,534	\$ 4,424,596	\$ 23,099,130	\$ 17,415,538	\$ 5,035,922	\$ 22,451,460
Receivables, net	3,590,561	1,166,932	4,757,493	3,044,134	1,125,452	4,169,586
Internal balances	82,495	(82,495)	-	165,045	(165,045)	-
Prepaid items	85,791	-	85,791	-	-	-
Inventories	-	264,500	264,500	-	221,242	221,242
Assets held for sale	1,954,487	-	1,954,487	1,954,487	-	1,954,487
Net pension asset	-	-	-	1,351,271	387,277	1,738,548
Capital assets net of depreciation	<u>67,728,600</u>	<u>52,447,486</u>	<u>120,176,086</u>	<u>67,052,485</u>	<u>52,538,216</u>	<u>119,590,701</u>
Total assets	<u>92,116,468</u>	<u>58,221,019</u>	<u>150,337,487</u>	<u>90,982,960</u>	<u>59,143,064</u>	<u>150,126,024</u>
<b>Deferred outflow of resources:</b>						
Deferred amts related to pensions	<u>846,018</u>	<u>245,717</u>	<u>1,091,735</u>	<u>458,248</u>	<u>131,336</u>	<u>589,584</u>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	1,946,029	340,743	2,286,772	1,334,668	488,724	1,823,392
Landfill closure and postclosure care costs	440,520	-	440,520	481,591	-	481,591
Net pension liability	3,815,444	1,108,154	4,923,598	-	-	-
Net other postemployment obligations	679,642	160,418	840,060	657,610	155,149	812,759
Long-term obligations	<u>2,033,722</u>	<u>20,804,055</u>	<u>22,837,777</u>	<u>3,024,425</u>	<u>22,701,416</u>	<u>25,725,841</u>
Total liabilities	<u>8,915,357</u>	<u>22,413,370</u>	<u>31,328,727</u>	<u>5,498,294</u>	<u>23,345,289</u>	<u>28,843,583</u>
<b>Deferred inflow of resources:</b>						
Deferred amts related to pensions	<u>1,068,213</u>	<u>310,252</u>	<u>1,378,465</u>	<u>2,665,122</u>	<u>763,830</u>	<u>3,428,952</u>
<b>Net position:</b>						
Invested in capital assets	67,070,197	32,748,526	99,818,723	66,329,835	32,144,547	98,474,382
Restricted	10,934,488	2,708,332	13,642,820	11,416,104	2,472,649	13,888,753
Unrestricted	<u>4,974,231</u>	<u>286,256</u>	<u>5,260,487</u>	<u>5,531,853</u>	<u>548,084</u>	<u>6,079,937</u>
Total net position	<u>\$ 82,978,916</u>	<u>\$ 35,743,114</u>	<u>\$ 118,722,030</u>	<u>\$ 83,277,792</u>	<u>\$ 35,165,280</u>	<u>\$ 118,443,072</u>

Approximately 84.1% of the City's total net position is invested in capital assets. 6.0% of the City's net position is restricted for capital improvements (\$7,178,110), including proceeds from system development charges and bond proceeds net of associated long-term debt that are restricted for capital projects. \$1,922,348 (1.6%) is restricted for repayment of outstanding debt. \$5,260,487 of the City's net position is unrestricted and represents resources available to fund the programs of the City.

Changes in Net Position. The City's total revenues were \$28,416,904, an increase of 8.7% from the prior year. Of the City's total revenue, \$8,202,210 (or 28.9%) is from property taxes, \$6,336,950 (or

22.3%) is from transient room taxes, \$8,577,864 (or 30.2%) is from charges for services and \$5,299,880 (or 18.6%) is from grants, interest earnings and other non-tax sources. More detailed information is presented in table 2 below.

Table 2  
CHANGE IN NET POSITION

	Year Ended June 30, 2016			Year Ended June 30, 2015		
	Governmental	Business-type	Totals	Governmental	Business-type	Totals
	Activities	Activities		Activities	Activities	
<b>Program revenues:</b>						
Charges for services	\$ 1,750,762	\$ 6,827,102	\$ 8,577,864	\$ 1,659,032	\$ 6,325,395	\$ 7,984,427
Operating grants and contributions	1,076,290	151,486	1,227,776	1,067,798	404,627	1,472,425
Capital grants and contributions	229,060	1,016,947	1,246,007	-	332,759	332,759
General revenues:						
Property taxes, general purposes	6,264,361	-	6,264,361	5,799,968	-	5,799,968
Property taxes, debt service	617,748	1,320,101	1,937,849	703,036	1,303,169	2,006,205
Franchise taxes	1,025,598	-	1,025,598	1,012,261	-	1,012,261
Transient room taxes	6,336,950	-	6,336,950	5,887,005	-	5,887,005
Other	1,662,858	137,641	1,800,499	1,530,875	121,022	1,651,897
Total program and general revenues	<u>18,963,627</u>	<u>9,453,277</u>	<u>28,416,904</u>	<u>17,659,975</u>	<u>8,486,972</u>	<u>26,146,947</u>
<b>Program expenses:</b>						
General government	5,598,224	-	5,598,224	3,686,716	-	3,686,716
Public safety	5,773,518	-	5,773,518	3,511,667	-	3,511,667
Highways and streets	2,756,445	-	2,756,445	2,331,671	-	2,331,671
Cultural and recreation	5,126,871	-	5,126,871	4,259,403	-	4,259,403
Art and education	26,114	-	26,114	30,389	-	30,389
Water and sewer	-	8,807,173	8,807,173	-	7,452,338	7,452,338
Interest on long-term debt	<u>49,601</u>	<u>-</u>	<u>49,601</u>	<u>62,685</u>	<u>-</u>	<u>62,685</u>
Total program expenses	<u>19,330,773</u>	<u>8,807,173</u>	<u>28,137,946</u>	<u>13,882,531</u>	<u>7,452,338</u>	<u>21,334,869</u>
Increase (decrease) in net position before transfers	(367,146)	646,104	278,958	3,777,444	1,034,634	4,812,078
Transfers	<u>68,270</u>	<u>(68,270)</u>	<u>-</u>	<u>53,085</u>	<u>(53,085)</u>	<u>-</u>
Change in net position	(298,876)	577,834	278,958	3,830,529	981,549	4,812,078
Net position - beginning	<u>83,277,792</u>	<u>35,165,280</u>	<u>118,443,072</u>	<u>79,447,263</u>	<u>34,183,731</u>	<u>113,630,994</u>
Net position - ending	<u>\$ 82,978,916</u>	<u>\$ 35,743,114</u>	<u>\$ 118,722,030</u>	<u>\$ 83,277,792</u>	<u>\$ 35,165,280</u>	<u>\$ 118,443,072</u>

The total cost of all programs and services was \$28,137,946, an increase of \$6,803,077 (or 31.9%) from the prior year. Expenditures for Governmental Activities increased by 39.2% while expenditures for Business-Type Activities increased by 18.2%. The increase in expenditures is largely due to the expense entries made to record the City's share of the Oregon PERS pension liability. Of the total costs, \$8,807,173 (or 31.3%) was for Business-type Activities, and \$19,330,773 (or 68.7%) was for general government, public safety, highways and streets, culture and recreation, art and education, and interest.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

The City's General Fund reported an ending fund balance of \$9,162,063, an increase of \$1,409,408 (or 18.2%) over the prior year's fund balance. Total General fund revenues increased by 4.6% from the prior fiscal year, while General fund expenditures increased by 5.3%. In FY2014-15, the Lincoln City Urban Renewal Agency levied 20 percent of the amount of its authority under option one of the ORS 457.435(2)(a), resulting in a significant increase in the City's property tax revenue in the General fund.

Transient Room Taxes (TRT) are a significant source of revenue for governmental funds, and they are an important indicator of how the local economy is doing. TRT revenues increased by \$449,945 (or 7.6%) from the prior fiscal year. This increase is partially due to a continuing improvement in the tourism industry.

### Business-type Activities

The City's Water funds reported an ending net position of \$19,787,189, an increase of \$96,645 (or 0.5%) over the prior fiscal year's ending net position. Charges for Services increased by \$222,251 (or 6.5%), primarily due to a 4% rate increase.

The City's Sewer funds reported an ending net position of \$15,955,925, an increase of \$481,189 (or 3.1%) over the previous fiscal year's ending net position. Charges for Services increased by \$279,456 (or 9.6%), primarily due to a 6% rate increase.

System development charges for both the Water and Sewer funds, which are generated from new building activity, have increased from the prior fiscal year, reflecting improvement in new construction occurring within the City. Water system development charges increased by \$57,257 (or 55.1%). Sewer system development charges increased by \$94,532 (or 41.3%).

## BUDGETARY HIGHLIGHTS

City Council approved three changes to the fiscal year 2015-2016 General Fund adopted budget. These changes moved amounts from contingency into operating expenditure categories to reflect actual spending patterns. It also increased revenue and expenditures by \$30,000 to provide for higher than anticipated building permit activity.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2015-2016, the City had a net investment of \$120,176,086 in a broad range of capital assets, including land, infrastructure, equipment, buildings and vehicles. This amount represents a net increase (including additions and deductions) of \$585,385 (or 0.5%). More detailed information is presented in note 4 of the notes to basic financial statements.

Table 3  
CHANGE IN CAPITAL ASSETS

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Beginning balance	\$ 67,052,485	\$52,538,216	\$119,590,701	\$66,431,347	\$ 53,061,162	\$119,492,509
Additions	5,365,004	3,445,877	8,810,881	4,773,239	4,160,693	8,933,932
Retirements	(2,434,058)	(963,471)	(3,397,529)	(1,791,123)	(2,336,344)	(4,127,467)
Depreciation, net	<u>(2,254,831)</u>	<u>(2,573,136)</u>	<u>(4,827,967)</u>	<u>(2,360,979)</u>	<u>(2,347,296)</u>	<u>(4,708,275)</u>
Ending balance	<u>\$ 67,728,600</u>	<u>\$52,447,486</u>	<u>\$120,176,086</u>	<u>\$67,052,485</u>	<u>\$ 52,538,215</u>	<u>\$119,590,700</u>

#### Governmental Activities

Additions to capital assets from governmental activities totaled \$5,365,004. These additions included (1) WLDR Force Main Upgrade/Jetty Sewer \$899,808, (2) NW Jetty Sewer Improvements \$873,431, (3) NW Harbor Ave Improvements \$529,793, (4) Lake Drive/Voyage LID \$308,147, (5) City Hall Elevator Modernization \$254,984, (6) Nelscott/35<sup>th</sup> Street Parking Lot \$186,864, (7) NE Surf & NE 22<sup>nd</sup> Ave Improvements \$159,199, (8) NW 52<sup>nd</sup> & Keel Storm Improvements \$128,772, (9) Hwy 101 and NE 22<sup>nd</sup> Intersection Improvements \$120,000, and (10) 2016 Altec AT373 Bucket Truck \$100,591.

#### Business-type Activities

Additions to capital assets from business-type activities totaled \$3,445,877. These additions included (1) Schooner Creek to Cutler City/Taft Water Line Upgrade \$947,531, (2) Hwy 101 Coast to Fleet Water Main Upgrade \$423,805, (3) Maryland Pump Station Upgrade \$404,091, (4) Water Main Upgrade/Replacement \$397,055, (5) Voyage Lake Drive LID \$345,200, Hwy 101 WDLR Water Line Relocation \$147,919, and (6) Regatta Pump Station Upgrade \$98,046.

#### LONG-TERM OBLIGATIONS

At the end of fiscal year 2015-2016, the City had \$22,837,777 in outstanding debt, a decrease of \$2,888,064 (11.2%). During the fiscal year ending June 30, 2016, neither the City nor the City's Urban Renewal Agency issued any new debt. For more detail see table 4 on the following page.

#### Governmental Activities

The City and the City's Urban Renewal Agency have not budgeted to issue any bonds during the fiscal year ending June 30, 2017.

#### Business-type Activities

The City's Series 2013 and 2015 Sewer Bonds carry a Moody's A1. See additional schedules for the annual disclosure statement in conformance with SEC Rule 15c2-12.

For additional information on the City's long-term outstanding obligations, see note 5 of the notes to basic financial statements.



Table 4  
LONG-TERM OBLIGATIONS

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Governmental:		
Full Faith and Credit Note Series 2014	<u>\$ 2,033,722</u>	<u>\$ 3,024,425</u>
Business-type:		
General Obligation Bonds		
Water Bonds - Series 2007	825,292	1,315,371
Sewer Bonds - Series 2011	5,009,971	5,419,969
Sewer Bonds - Series 2013	9,750,000	9,750,000
Sewer Bonds - Series 2015	1,677,888	2,209,800
Full Faith and Credit Note Series 2014	3,260,000	3,630,000
Contract payable	<u>280,904</u>	<u>376,276</u>
Total business-type activities	<u>20,804,055</u>	<u>22,701,416</u>
Total long-term obligations	<u>\$ 22,837,777</u>	<u>\$ 25,725,841</u>

#### ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Property taxes comprise 53.5% of the City's General Fund revenue (excluding beginning fund balances and transfers in). Since 1997 increases in taxable assessed values have been limited by state statute to an increase of 3% a year plus the value of new construction. The City's projected General Fund revenue for fiscal year 2016-2017 is \$11,647,832 and expenditures are budgeted at \$10,642,411, resulting in a \$1,005,421 increase to fund balance. The projected ending General Fund reserves for fiscal year 2016-2017 total \$7,042,775 (or 66.2% of budgeted expenditures).

Another major source of revenue for governmental activities is the Transient Room Tax (TRT). These revenues are up from the previous fiscal year (an increase of \$449,945 or 7.6%), due to improvement in the economy. It is anticipated that TRT revenues will increase about 5% in the next fiscal year.

For the fiscal year ending June 30, 2017, the City's Urban Renewal Agency has budgeted \$1,604,433 for capital reserves, and \$485,000 for capital projects including S Bay Park/Bay Area Sidewalk, Nelscott Renovation Projects, West Devils Lake Road Sewer Main, and for Sidewalk Construction.

#### Business-type Activities

All of the revenue for business-type activities is from user charges and system development charges. Water rates were budgeted to increase by 4% and sewer rates were budgeted to increase by 6% for fiscal year 2016-2017. This continues the City's program to increase rates in increments each year, and to encourage water conservation.

For fiscal year 2016-2017, the City's Water Capital funds have budgeted \$837,282 in capital outlay for water system upgrades and replacements as needed. The Water Construction fund has budgeted \$1,107,000 in capital outlay for various water system upgrades and replacements, such as design of the Schooner Creek bridge design and bridge crossing boring.

For fiscal year 2016-2017, the City's Wastewater Capital funds has budgeted \$2,205,787 in capital outlay for sewer system upgrades and replacements as needed, such as pump station upgrades.

## REQUESTS FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) 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 information, please contact the City's Finance Director at City Hall, 801 SW Highway 101, Lincoln City, Oregon 97367. Copies of this report are also available at the Driftwood Library, and on the City's website at [www.lincolncity.org](http://www.lincolncity.org).

**BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and investments	\$ 18,610,366	\$ 4,413,439	\$ 23,023,805
Cash with County Treasurer	64,168	11,157	75,325
Receivables, net	3,590,561	1,166,932	4,757,493
Internal balances	82,495	(82,495)	-
Prepays	85,791	-	85,791
Inventories	-	264,500	264,500
Assets held for sale	1,954,487	-	1,954,487
Capital assets:			
Land, improvements and construction in progress	37,374,105	2,254,004	39,628,109
Other capital assets, net	30,354,495	50,193,482	80,547,977
<b>TOTAL ASSETS</b>	<b>92,116,468</b>	<b>58,221,019</b>	<b>150,337,487</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred amounts related to pensions	846,018	245,717	1,091,735
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	745,140	86,113	831,253
Other accrued liabilities	658,335	-	658,335
Accrued interest payable	-	67,305	67,305
Accrued compensated absences	542,554	187,325	729,879
Landfill closure and postclosure care costs	440,520	-	440,520
Net other postemployment benefit obligation	679,642	160,418	840,060
Net pension liability	3,815,444	1,108,154	4,923,598
Long-term obligations:			
Due with in one year	1,008,041	1,868,244	2,876,285
Due in more than one year	1,025,681	18,935,811	19,961,492
<b>TOTAL LIABILITIES</b>	<b>8,915,357</b>	<b>22,413,370</b>	<b>31,328,727</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred amounts related to pensions	1,068,213	310,252	1,378,465
<b>NET POSITION:</b>			
Net investment in capital assets	67,070,197	32,748,526	99,818,723
Restricted for:			
Capital improvements	4,817,099	2,361,011	7,178,110
Debt service	1,575,027	347,321	1,922,348
Highways and streets	938,467	-	938,467
Landfill postclosure costs	252,150	-	252,150
Tourism	1,547,291	-	1,547,291
Urban renewal	774,702	-	774,702
Parks maintenance	1,029,752	-	1,029,752
Unrestricted	4,974,231	286,256	5,260,487
<b>TOTAL NET POSITION</b>	<b>\$ 82,978,916</b>	<b>\$ 35,743,114</b>	<b>\$ 118,722,030</b>

See notes to basic financial statements.

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

ACTIVITIES	Program Revenues				Net Revenue (Expense) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 5,598,224	\$ 1,464,815	\$ 571,763	\$ -	\$ (3,561,646)	\$ -	\$ (3,561,646)
Public safety	5,773,518	20,867	-	-	(5,752,651)	-	(5,752,651)
Highways and streets	2,756,445	119,731	494,916	224,062	(1,917,736)	-	(1,917,736)
Culture and recreation	5,126,871	145,349	9,127	4,998	(4,967,397)	-	(4,967,397)
Art and education	26,114	-	484	-	(25,630)	-	(25,630)
Interest on long-term obligations	49,601	-	-	-	(49,601)	-	(49,601)
<b>Total governmental activities</b>	<b>19,330,773</b>	<b>1,750,762</b>	<b>1,076,290</b>	<b>229,060</b>	<b>(16,274,661)</b>	<b>-</b>	<b>(16,274,661)</b>
Business-type activities:							
Water	3,832,518	3,637,558	151,486	161,084	-	117,610	117,610
Sewer	4,974,655	3,189,544	-	855,863	-	(929,248)	(929,248)
<b>Total business-type activities</b>	<b>8,807,173</b>	<b>6,827,102</b>	<b>151,486</b>	<b>1,016,947</b>	<b>-</b>	<b>(811,638)</b>	<b>(811,638)</b>
<b>Total</b>	<b>\$ 28,137,946</b>	<b>\$ 8,577,864</b>	<b>\$ 1,227,776</b>	<b>\$ 1,246,007</b>	<b>(16,274,661)</b>	<b>(811,638)</b>	<b>(17,086,299)</b>
<b>GENERAL REVENUES</b>							
Property taxes levied for:							
General purposes					6,264,361	-	6,264,361
Debt service					617,748	1,320,101	1,937,849
Franchise taxes and fees					1,025,598	-	1,025,598
Transient room taxes					6,336,950	-	6,336,950
Unrestricted investment earnings					120,265	33,127	153,392
Proceeds from sale of capital assets					13,944	-	13,944
Miscellaneous					1,528,649	104,514	1,633,163
<b>TRANSFERS</b>					68,270	(68,270)	-
<b>Total general revenues and transfers</b>					<b>15,975,785</b>	<b>1,389,472</b>	<b>17,365,257</b>
<b>CHANGE IN NET POSITION</b>					<b>(298,876)</b>	<b>577,834</b>	<b>278,958</b>
<b>NET POSITION, June 30, 2015</b>					<b>83,277,792</b>	<b>35,165,280</b>	<b>118,443,072</b>
<b>NET POSITION, June 30, 2016</b>					<b>\$ 82,978,916</b>	<b>\$ 35,743,114</b>	<b>\$ 118,722,030</b>

See notes to basic financial statements.

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**BALANCE SHEET GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Visitor and Convention Bureau	Urban Renewal	Other Governmental Funds	Totals
<b>ASSETS:</b>					
Cash and investments	\$ 7,872,895	\$ 1,022,917	\$ 1,066,937	\$ 8,588,207	\$ 18,550,956
Cash with County Treasurer	51,081	-	-	13,087	64,168
Receivables	1,693,076	465,878	-	1,431,607	3,590,561
Prepaid Items	1,462	74,990	-	1,000	77,452
Advance to other funds	82,495	-	-	-	82,495
Assets held for sale	1,393,665	-	-	560,822	1,954,487
<b>TOTAL ASSETS</b>	<b><u>\$ 11,094,674</u></b>	<b><u>\$ 1,563,785</u></b>	<b><u>\$ 1,066,937</u></b>	<b><u>\$ 10,594,723</u></b>	<b><u>\$ 24,320,119</u></b>
<b>LIABILITIES:</b>					
Accounts payable and accrued expenses	\$ 173,377	\$ 14,514	\$ 5,967	\$ 534,303	\$ 728,161
Other accrued liabilities	656,355	1,980	-	-	658,335
<b>TOTAL LIABILITIES</b>	<b><u>829,732</u></b>	<b><u>16,494</u></b>	<b><u>5,967</u></b>	<b><u>534,303</u></b>	<b><u>1,386,496</u></b>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
Unavailable revenue	1,102,879	-	-	125,772	1,228,651
<b>FUND BALANCES:</b>					
Nonspendable in form	1,477,622	-	-	1,053,711	2,531,333
Restricted for:					
Capital projects	-	-	1,060,970	3,756,129	4,817,099
Post closure landfill costs	692,670	-	-	-	692,670
Debt service	-	-	-	1,575,027	1,575,027
Road construction/maintenance	-	-	-	938,467	938,467
Tourism promotion	-	1,547,291	-	-	1,547,291
Urban renewal	-	-	-	774,702	774,702
Parks maintenance	-	-	-	1,029,752	1,029,752
Committed to:					
Capital projects	201,276	-	-	-	201,276
Affordable housing	-	-	-	171,259	171,259
Maintenance services	-	-	-	29,165	29,165
Art and education	-	-	-	61,819	61,819
Assigned to:					
Capital projects	-	-	-	544,617	544,617
Unassigned	6,790,495	-	-	-	6,790,495
<b>TOTAL FUND BALANCES</b>	<b><u>9,162,063</u></b>	<b><u>1,547,291</u></b>	<b><u>1,060,970</u></b>	<b><u>9,934,648</u></b>	<b><u>21,704,972</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b><u>\$ 11,094,674</u></b>	<b><u>\$ 1,563,785</u></b>	<b><u>\$ 1,066,937</u></b>	<b><u>\$ 10,594,723</u></b>	<b><u>\$ 24,320,119</u></b>

See notes to basic financial statements.

CITY OF LINCOLN CITY  
Lincoln City, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2016**

<b>TOTAL FUND BALANCE</b>	\$ 21,704,972
Total net position shown in the Statement of Net Position is different because:	
Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.	67,585,358
Certain items are not available to pay for current period expenditures, but are reported in the Statement of Net Position	
Deferred outflows of resources related to pensions	804,513
A portion of the City's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are not reported in the governmental funds.	1,228,651
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.	(542,554)
Other post-employment benefits are not recognized as a governmental fund liability.	(679,642)
Long-term liabilities and deferred inflows are not reported as governmental fund assets and liabilities as they are not payable in the current year and are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expense when it is due. These long-term liabilities and deferred inflows consist of:	
Net pension liability	(3,628,263)
Deferred inflows of resources related to pensions	(1,015,808)
Bonds and note payable	(2,033,722)
Landfill closure and post closure costs	<u>(440,520)</u>
Total	(7,118,313)
The internal service fund is used by management to charge the cost of services to individual funds. Their assets and liabilities are included in the Statement of Net Position.	<u>(4,069)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 82,978,916</u></b>

See notes to basic financial statements.

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**GOVERNMENTAL FUNDS****STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE****FOR THE YEAR ENDED JUNE 30, 2016**

	General	Visitor and Convention Bureau	Urban Renewal	Other Governmental Funds	Totals
<b>REVENUES:</b>					
Property taxes	\$ 6,221,094	\$ -	\$ -	\$ 663,148	\$ 6,884,242
Franchises and fees	1,007,002	-	-	18,596	1,025,598
Transient room tax	1,423,506	1,932,458	-	2,980,986	6,336,950
Fines and forfeitures	154,811	-	-	-	154,811
Fees, licenses and permits	659,823	-	-	-	659,823
Rents	-	-	-	203,560	203,560
Charges for services	500,454	-	-	265,080	765,534
Intergovernmental	571,699	-	-	733,651	1,305,350
Reimbursement from other funds	-	-	-	32,060	32,060
Interest on investments	45,062	6,905	8,269	60,029	120,265
Miscellaneous	1,051,841	119,311	33,346	298,434	1,502,932
<b>TOTAL REVENUES</b>	<b>11,635,292</b>	<b>2,058,674</b>	<b>41,615</b>	<b>5,255,544</b>	<b>18,991,125</b>
<b>EXPENDITURES:</b>					
Current:					
General government	2,878,153	-	439,397	694,711	4,012,261
Public safety	4,285,240	-	-	-	4,285,240
Highways and streets	-	-	-	1,175,298	1,175,298
Culture and recreation	1,901,143	1,403,858	-	826,885	4,131,886
Art and education	-	-	-	26,114	26,114
Debt service	-	-	-	1,040,304	1,040,304
Capital outlay	728,058	14,240	236,783	2,585,274	3,564,355
<b>TOTAL EXPENDITURES</b>	<b>9,792,594</b>	<b>1,418,098</b>	<b>676,180</b>	<b>6,348,586</b>	<b>18,235,458</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,842,698</b>	<b>640,576</b>	<b>(634,565)</b>	<b>(1,093,042)</b>	<b>755,667</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	5,819	-	-	8,125	13,944
Transfers in	105,891	-	-	939,077	1,044,968
Transfers out	(545,000)	(61,997)	-	(369,701)	(976,698)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(433,290)</b>	<b>(61,997)</b>	<b>-</b>	<b>577,501</b>	<b>82,214</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,409,408</b>	<b>578,579</b>	<b>(634,565)</b>	<b>(515,541)</b>	<b>837,881</b>
<b>FUND BALANCES, beginning of year</b>	<b>7,752,655</b>	<b>968,712</b>	<b>1,695,535</b>	<b>10,450,189</b>	<b>20,867,091</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 9,162,063</b>	<b>\$ 1,547,291</b>	<b>\$ 1,060,970</b>	<b>\$ 9,934,648</b>	<b>\$ 21,704,972</b>

See notes to basic financial statements.



CITY OF LINCOLN CITY  
Lincoln City, Oregon

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	837,881
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Governmental funds report capital assets additions as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:</p>		
Capital outlay	\$ 3,564,355	
Depreciation	<u>(2,449,783)</u>	1,114,572
<p>The net effect of transactions involving capital assets, i.e, gain/loss on sales, donations. These transactions are not reported in the governmental funds.</p>		
		(18,677)
<p>Receivables that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned.</p>		
Unearned Revenue - Property Taxes	(2,133)	
Unearned Revenue - Unbonded Assessment (LID/Reimbursement District Receivable)	27,323	
Deferred Revenue - Engineering Deposit Refund	(1,606)	
Deferred Revenue - Municipal Court	<u>(65,026)</u>	(41,442)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		990,703
<p>Payments for landfill post closure costs are reported as expenditures in the governmental fund statements, but reduce the liability in the Statement of Net Position.</p>		
		41,071
<p>Internal service fund is used by management to charge the costs of services to individual governmental funds. The net income of the internal service fund is reported as a governmental activity.</p>		
		(173,190)
<p>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.</p>		
Pension expense		(3,026,113)
OPEB expense not recognized on the governmental statement		(22,032)
Compensated absences		<u>(1,649)</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(298,876)</u>

See notes to basic financial statements.

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PROPRIETARY FUNDS**

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
<b>ASSETS:</b>				
Current assets:				
Cash and investments	\$ 1,807,921	\$ 2,605,518	\$ 4,413,439	\$ 59,410
Cash with County Treasurer	-	11,157	11,157	-
Receivables, net	541,865	625,067	1,166,932	-
Prepays	-	-	-	8,339
Inventories	242,439	22,061	264,500	-
Total current assets	<u>2,592,225</u>	<u>3,263,803</u>	<u>5,856,028</u>	<u>67,749</u>
Capital assets:				
Land, improvements and construction in progress	1,823,437	430,567	2,254,004	-
Other capital assets, net	20,687,567	29,505,915	50,193,482	143,242
Total capital assets	<u>22,511,004</u>	<u>29,936,482</u>	<u>52,447,486</u>	<u>143,242</u>
<b>TOTAL ASSETS</b>	<u>25,103,229</u>	<u>33,200,285</u>	<u>58,303,514</u>	<u>210,991</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
Deferred amounts related to pensions	130,359	115,358	245,717	41,505
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable and accrued expenses	29,223	56,890	86,113	16,979
Due to other funds	82,495	-	82,495	-
Accrued interest payable	26,086	41,219	67,305	-
Accrued compensated absences	109,299	78,026	187,325	-
Current portion of long-term obligations	883,835	984,409	1,868,244	-
Total current liabilities	<u>1,130,938</u>	<u>1,160,544</u>	<u>2,291,482</u>	<u>16,979</u>
Long-term liabilities	3,482,361	15,453,450	18,935,811	-
Other postemployment benefit obligation	80,602	79,816	160,418	-
Net pension liability	587,902	520,252	1,108,154	187,181
<b>TOTAL LIABILITIES</b>	<u>5,281,803</u>	<u>17,214,062</u>	<u>22,495,865</u>	<u>204,160</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	164,596	145,656	310,252	52,405
<b>NET POSITION:</b>				
Net investment in capital assets	19,249,903	13,498,623	32,748,526	143,242
Restricted for:				
Capital improvement	377,046	1,983,965	2,361,011	-
Debt service	37,331	309,990	347,321	-
Unrestricted	122,909	163,347	286,256	(147,311)
<b>TOTAL NET POSITION</b>	<u>\$ 19,787,189</u>	<u>\$ 15,955,925</u>	<u>\$ 35,743,114</u>	<u>\$ (4,069)</u>

See notes to basic financial statements.

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**PROPRIETARY FUNDS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****YEAR ENDED JUNE 30, 2016**

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,637,558	\$ 3,189,544	\$ 6,827,102	\$ 858,525
Intergovernmental	151,486	-	151,486	-
Miscellaneous	2,468	102,046	104,514	-
<b>TOTAL OPERATING REVENUES</b>	<b>3,791,512</b>	<b>3,291,590</b>	<b>7,083,102</b>	<b>858,525</b>
<b>OPERATING EXPENSES:</b>				
Personal services	1,741,476	1,649,255	3,390,731	682,481
Materials and services	597,746	1,176,674	1,774,420	319,118
Support services	208,547	153,113	361,660	-
Depreciation	1,134,918	1,495,781	2,630,699	30,116
<b>TOTAL OPERATING EXPENSES</b>	<b>3,682,687</b>	<b>4,474,823</b>	<b>8,157,510</b>	<b>1,031,715</b>
<b>OPERATING INCOME (LOSS)</b>	<b>108,825</b>	<b>(1,183,233)</b>	<b>(1,074,408)</b>	<b>(173,190)</b>
<b>NONOPERATING INCOME (EXPENSE):</b>				
System development charges	161,084	323,464	484,548	-
Interest earned on investments	15,083	18,044	33,127	-
Gain (loss) from sale of asset	-	(23,043)	(23,043)	-
Property taxes	-	1,320,101	1,320,101	-
Interest expense	(149,831)	(476,789)	(626,620)	-
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<b>26,336</b>	<b>1,161,777</b>	<b>1,188,113</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>135,161</b>	<b>(21,456)</b>	<b>113,705</b>	<b>(173,190)</b>
<b>TRANSFERS:</b>				
Transfers out	(38,516)	(29,754)	(68,270)	-
<b>CONTRIBUTIONS:</b>				
Capital contributions	-	532,399	532,399	-
<b>TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>(38,516)</b>	<b>502,645</b>	<b>464,129</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>96,645</b>	<b>481,189</b>	<b>577,834</b>	<b>(173,190)</b>
<b>NET POSITION, June 30, 2015</b>	<b>19,690,544</b>	<b>15,474,736</b>	<b>35,165,280</b>	<b>169,121</b>
<b>NET POSITION, June 30, 2016</b>	<b>\$ 19,787,189</b>	<b>\$ 15,955,925</b>	<b>\$ 35,743,114</b>	<b>\$ (4,069)</b>

See notes to basic financial statements.

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**JUNE 30, 2016**

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 3,783,397	\$ 3,261,169	\$ 7,044,566	\$ 858,525
Payments to suppliers	(724,663)	(1,237,796)	(1,962,459)	(335,330)
Payments to employees	(1,239,988)	(1,210,772)	(2,450,760)	(526,558)
Payments for support services	(208,547)	(153,113)	(361,660)	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,610,199</b>	<b>659,488</b>	<b>2,269,687</b>	<b>(3,363)</b>
<b>CASH FLOWS FROM NON FINANCING ACTIVITIES:</b>				
Property taxes	-	1,320,101	1,320,101	-
Transfers out	(38,516)	(29,754)	(68,270)	-
<b>NET CASH FROM NON FINANCING ACTIVITIES</b>	<b>(38,516)</b>	<b>1,290,347</b>	<b>1,251,831</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(1,576,104)	(454,510)	(2,030,614)	(95,274)
System development charges	161,084	323,464	484,548	-
Principal paid on advance from other funds	(82,550)	-	(82,550)	-
Principal paid on long-term obligations	(955,451)	(941,910)	(1,897,361)	-
Interest paid on long-term obligations	(154,202)	(482,848)	(637,050)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,607,223)</b>	<b>(1,555,804)</b>	<b>(4,163,027)</b>	<b>(95,274)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	15,083	18,044	33,127	-
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>(1,020,457)</b>	<b>412,075</b>	<b>(608,382)</b>	<b>(98,637)</b>
<b>CASH AND INVESTMENTS, beginning of year</b>	<b>2,828,378</b>	<b>2,193,443</b>	<b>5,021,821</b>	<b>158,047</b>
<b>CASH AND INVESTMENTS, end of year</b>	<b>\$ 1,807,921</b>	<b>\$ 2,605,518</b>	<b>\$ 4,413,439</b>	<b>\$ 59,410</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 108,825	\$ (1,183,233)	\$ (1,074,408)	\$ (173,190)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,134,918	1,495,781	2,630,699	30,116
Decrease (increase) in assets and deferred outflows				
Receivables, net	(8,115)	(33,365)	(41,480)	-
Prepays	-	-	-	(8,339)
Inventories	(33,669)	(9,589)	(43,258)	-
Cash with County Treasurer	-	2,944	2,944	-
Net pension asset	205,162	182,115	387,277	66,580
Deferred outflows	(60,783)	(53,598)	(114,381)	(18,926)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable and accrued expenses	(93,248)	(51,533)	(144,781)	(7,873)
Compensated absences payable	6,688	542	7,230	-
Net other postemployment benefit obligation	2,566	2,703	5,269	-
Net pension liability	587,902	520,252	1,108,154	187,181
Deferred inflows	(240,047)	(213,531)	(453,578)	(78,912)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 1,610,199</b>	<b>\$ 659,488</b>	<b>\$ 2,269,687</b>	<b>\$ (3,363)</b>
<b>Schedule of non-cash transactions:</b>				
Contributions of capital assets	\$ -	\$ 532,399	\$ 532,399	\$ -
Loss on sale of asset	\$ -	\$ (23,043)	\$ (23,043)	\$ -

See notes to basic financial statements.

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**AGENCY FUNDS**

**STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2016**

**ASSETS:**

Cash and investments

\$ 35,286

**LIABILITIES:**

Accounts payable

\$ 7,865

Funds held in trust

27,421

**TOTAL LIABILITIES**

\$ 35,286

See notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Lincoln City, Oregon (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting standards.

**Organization**

The City was incorporated as a home-rule city on March 3, 1965, consolidating the incorporated cities of Taft, Delake and Oceanlake, and the unincorporated communities of Cutler City and Nelscott.

Control of the City is vested in its mayor and Council members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Council. The chief administrative officer is the City Manager.

**Reporting Entity**

The accompanying financial statements present the primary government and component unit for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

The City Council serves as the governing board of the Lincoln City Urban Renewal Agency (the Agency). Therefore, the accounts of the Agency are included in the financial statements of the City as a blended component unit.

Complete financial statements for the Lincoln City Urban Renewal Agency may be viewed on the City's website at [www.lincolncity.org](http://www.lincolncity.org).

**Basis of Presentation**

The basic financial statements include both government-wide and fund based financial statements. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally financed through 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 Financial Statements**

The government-wide financial statements display information about all of the nonfiduciary activities of the City, and its component unit.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-wide Financial Statements (Continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for the City's programs. Direct expenses are those that are clearly allocable with a specific function or segment. The City does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements and the proprietary funds financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.



**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

A deferred inflow of resources for unavailable revenue arises on the balance sheet of the governmental funds when potential revenue does not meet both the measureable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferral created on the balance sheet of the governmental funds for unavailable revenue is eliminated.

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

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is considered to be a separate accounting entity. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the Other Supplementary Information section of this report.

The City reports the following major governmental funds:

General Fund – accounts for the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, fees, licenses and state apportionments.

Visitor and Convention Bureau (VCB) – accounts for the financial operations of the VCB fund. Resources are primarily provided from transient room taxes which are restricted for promoting tourism.

Urban Renewal Fund – accounts for the general administration of the Urban Renewal Agency and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal district, as well as debt service related to the Agency's operations.

The City reports the following major proprietary funds:

Water Fund – accounts for the water system operations. This fund is predominantly self-supported through user charges to customers.

Sewer Fund – accounts for the sewer system operations. This fund is predominantly self-supported through user charges to customers.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements (Continued)**

Additionally, the City reports the following fiduciary fund:

Agency Fund – accounts for assets held in a purely custodial capacity for others (assets equal liabilities).

The City also reports activity within the following nonmajor governmental funds types:

- Special revenue funds
- Debt service funds
- Capital projects funds

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows and liabilities and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Inventories**

Inventories consisting of water and sewer system supplies and materials are stated at cost, on a first-in, first-out basis.

**Receivables**

User charges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to user charges receivable. No provisions for uncollectible accounts were necessary at June 30, 2016.

Property taxes are levied on and become a lien against property on July 1 of the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is paid by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables (Continued)**

In the fund financial statements, property tax receivables that are collected within 30 days after the end of fiscal year are considered measurable and available, and therefore, are recognized as revenue. The property taxes receivable portion beyond 30 days is recorded as unavailable revenue.

In the government-wide financial statements, property taxes are recognized as revenue when earned.

In the proprietary funds, receivables include services provided but not billed. The enterprise funds' receivables include billings for residential and commercial customers utilizing the City's water, sewer, and storm water services and are reported net of an allowance for uncollectible amounts, which is determined based upon an estimated percentage of the receivable balance.

The City makes loans to third parties for rehabilitation of properties consistent with the establishment of the City's Urban Renewal Agency. Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. As the City obtains liens against the affected properties, no allowance is deemed necessary.

**Land held for Sale**

Land that is held for sale is reported in the applicable governmental or business-type activities columns in the government-wide and fund-level financial statements, and in the Proprietary Funds. Land is recorded at the lower of cost or market.

**Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the Proprietary Funds. 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. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more, and an estimated useful life of greater than one year. 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. Costs for repairs and maintenance are expensed as incurred.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Continued)**

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with assets shown net of accumulated depreciation in the Statement of Net Position. For enterprise funds, depreciation is recorded as an expense on the fund level, while depreciation is recorded at the enterprise level for governmental funds. Depreciation is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	25 to 40
Improvements other than buildings	10 to 20
Machinery and equipment	5 to 10
Vehicles	5 to 10
Utility systems	25 to 40
Infrastructure	20 to 50
Intangibles	25 to 40

Depreciation is taken in the year the assets are acquired or retired based upon the number of days held. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

**Long-term obligations**

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

**Compensated Absences**

The City has a policy which permits full-time employees to accumulate unused sick leave at the rate of one day per month over their working careers. The City does not compensate the employees for unused accumulations upon termination of employment. Sick leave, which does not vest, is recognized in funds when leave is taken.

Each employee earns vacation at rates determined by their length of employment. An employee can accumulate a maximum of 320 hours, except for utilities personnel, which may accrue 340 hours.

## CITY OF LINCOLN CITY, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Compensated Absences (Continued)

Accumulated vested vacation leave is accrued as it is earned. In the government-wide and proprietary fund financial statements, all vacation and compensatory time is reported when incurred. In the governmental funds, a liability for compensated absences is reported only if they have matured, and thus become due. Compensated absences are considered a current liability in the entity-wide and proprietary fund statements as they are susceptible to liquidation at any time.

##### Fund Balance

The City reports fund balances within the governmental funds based on the hierarchy of constraints to which those balances are subject. Fund balances in the governmental funds are reported within the following categories:

- Non-Spendable – Includes items not in spendable form, such as prepaid items, inventory, assets held for sale, and other assets not quickly convertible to cash.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by constitutional provisions or enabling legislation.
- Committed – Includes items committed by the City Council, by formal board action.
- Assigned – Includes items assigned for specific uses, authorized by the City's Finance Director or City Manager.
- Unassigned – This is the residual classification used in the General Fund for those balances not assigned to another category.

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

##### Deferred Inflow/Outflow of Resources

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property tax receivables, municipal court receivables, and engineering deposits.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Inflow/Outflow of Resources (Continued)**

These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

**Pensions**

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

**2. DEPOSITS AND INVESTMENTS**

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Additionally, several funds hold separate cash and investment accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP approximates the value of the pool shares.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less from the date of purchase.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**2. DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2016, the City's cash and investments were comprised of the following:

Cash on hand	\$ 2,825
Deposits with financial institutions	(201,635)
Oregon State Treasurer's Local Government Investment Pool	<u>23,257,901</u>
	<u>\$ 23,059,091</u>

Reported as:

Governmental activities	\$ 18,610,366
Business-type activities	<u>4,413,439</u>
Total per Statement of Net Position	23,023,805
Agency Fund	<u>35,286</u>
	<u>\$ 23,059,091</u>

**Interest Rate Risk**

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from changes in interest rates.

**Credit Risk**

The City does not have a formal policy that places a limit on the amount that may be invested in any one institution. 100 percent of the City's investments are in the State Treasurer's Investment Pool.

The City does not have a policy which limits the amount of investments that can be held with counterparties.

The City's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) per institution. The City's bank balance as of June 30, 2016, was \$288,180 of which \$288,180 was covered by the FDIC. As required by Oregon Revised Statutes, deposits were held at qualified depositories of public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by, and in the name of, the Office of the State Treasurer.

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**3. ACCOUNTS RECEIVABLE**

Receivables as of June 30, 2016, for the City's governmental activities/funds are as follows:

	<u>General</u>	<u>Visitor and Convention Bureau</u>	<u>Other Governmental</u>	<u>Totals</u>
Property taxes	\$ 506,462	\$ -	\$ 125,772	\$ 632,234
Intergovernmental	85,184	-	44,485	129,669
Fines and warrants	89,939	-	-	89,939
Franchise fees	97,446	-	4,736	102,182
Transient room taxes	297,855	465,878	763,724	1,527,457
Notes-housing rehabilitation	-	-	492,890	492,890
Miscellaneous other	616,190	-	-	616,190
	<u>\$ 1,693,076</u>	<u>\$ 465,878</u>	<u>\$ 1,431,607</u>	<u>\$ 3,590,561</u>

The City's permanent tax rate is 4.0996 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

The Lincoln City Urban Renewal Agency levied 20 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2015-16.

Rehabilitation loans receivable are comprised of loans to qualified borrowers for the rehabilitation and restoration of single family and multi-family residences, and commercial loans to small business to promote economic development. Both are collateralized by real property. Net loans receivable are as follows:

<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Loans Receivable</u>
Non-major Governmental Funds:			
Urban development:			
Rehabilitation loans	10 years	0%	\$ 407,998
Affordable Housing:			
Habitat and Housing Rehabilitation	15 years	0%	\$ 84,891

Receivables as of June 30, 2016, for the City's business-type activities/funds are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
User charges	\$ 541,865	\$ 500,976	\$ 1,042,841
Property taxes	-	109,518	109,518
Miscellaneous	-	14,573	14,573
	<u>\$ 541,865</u>	<u>\$ 625,067</u>	<u>\$ 1,166,932</u>



**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**4. CAPITAL ASSETS**

Transactions for the year ended June 30, 2016, of the governmental activities, were as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 14,666,684	\$ -	\$ -	\$ 14,666,684
Public right-of-way	22,328,786	-	-	22,328,786
Construction in progress	409,992	2,177,633	(2,208,990)	378,635
<b>Total capital assets not being depreciated</b>	<b>37,405,462</b>	<b>2,177,633</b>	<b>(2,208,990)</b>	<b>37,374,105</b>
Capital assets being depreciated:				
Buildings	14,838,085	451,749	-	15,289,834
Heavy equipment	549,285	-	(52,356)	496,929
Urban renewal projects	2,327,893	256,313	-	2,584,206
System improvements	49,301,009	1,947,558	-	51,248,567
Vehicles	1,010,553	215,660	(134,499)	1,091,714
Equipment and furnitures	3,551,423	316,091	(38,213)	3,829,301
Books and art	1,199,119	-	-	1,199,119
<b>Total capital assets being depreciated</b>	<b>72,777,367</b>	<b>3,187,371</b>	<b>(225,068)</b>	<b>75,739,670</b>
Accumulated depreciation	(43,130,344)	(2,479,899)	225,068	(45,385,175)
<b>Total capital assets being depreciated, net</b>	<b>29,647,023</b>	<b>707,472</b>	<b>-</b>	<b>30,354,495</b>
<b>Total capital assets, net</b>	<b>\$ 67,052,485</b>	<b>\$ 2,885,105</b>	<b>\$ (2,208,990)</b>	<b>\$ 67,728,600</b>

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

General government	\$ 527,719
Public safety	125,294
Highway and streets	1,375,721
Culture and recreation	451,165
<b>Total</b>	<b>\$ 2,479,899</b>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**4. CAPITAL ASSETS (Continued)**

Transactions for the year ended June 30, 2016, of the business-type activities, were as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land and improvements	\$ 811,970	\$ -	\$ -	\$ 811,970
Construction in progress	645,985	1,687,925	(891,876)	1,442,034
Total capital assets not being depreciated	<u>1,457,955</u>	<u>1,687,925</u>	<u>(891,876)</u>	<u>2,254,004</u>
Capital assets being depreciated:				
Buildings	1,175,931	-	-	1,175,931
Facilities	82,873,651	1,609,925	-	84,483,576
Equipment	2,092,165	148,027	(71,595)	2,168,597
Intangibles	120,868	-	-	120,868
Total capital assets being depreciated	<u>86,262,615</u>	<u>1,757,952</u>	<u>(71,595)</u>	<u>87,948,972</u>
Accumulated depreciation	<u>(35,182,354)</u>	<u>(2,630,699)</u>	<u>57,563</u>	<u>(37,755,490)</u>
Total capital assets being depreciated, net	<u>51,080,261</u>	<u>(872,747)</u>	<u>(14,032)</u>	<u>50,193,482</u>
Total capital assets, net	<u>\$ 52,538,216</u>	<u>\$ 815,178</u>	<u>\$ (905,908)</u>	<u>\$ 52,447,486</u>

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 1,134,918
Sewer	<u>1,495,781</u>
Total	<u>\$ 2,630,699</u>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**5. LONG-TERM OBLIGATIONS**

Transactions for the year ended June 30, 2016, of the governmental activities, were as follows:

<u>Note</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2016</u>	<u>Due w ithin one year</u>
Full Faith and Credit Note, Series 2014, URA Original issue amount \$4 million, final maturity June 2018, interest at 1.64 percent	\$ 3,024,425	\$ -	\$ 990,703	\$ 2,033,722	\$1,008,041
Compensated absences	\$ 540,905	\$ 542,554	\$ 540,905	\$ 542,554	\$ 542,554

The future maturities for governmental activity long-term obligations outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year</u>	<u>Full Faith and Credit Note, Series 2014 URA Projects</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,008,041	\$ 33,353
2018	1,025,681	16,821
	<u>\$ 2,033,722</u>	<u>\$ 50,174</u>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**5. LONG-TERM OBLIGATIONS (Continued)**

Transactions for the year ended June 30, 2016, of the business-type activities, were as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2016</u>	<u>Due within</u> <u>one year</u>
<u>Financing Agreement</u>					
Full Faith and Credit Water Bonds, Series 2014, Original issue amount \$4 million, final maturity April 2024, interest at 2.81 percent					
Principal	\$ 3,630,000	\$ -	\$ 370,000	\$ 3,260,000	\$ 380,000
Sewer Bonds, Series 2011, Original issue amount \$7 million, final maturity March 2026, interest at 4.1 percent					
Principal	5,419,969	-	409,998	5,009,971	427,068
Sewer Bonds, Refunding Series 2013 Original issue amount \$9.885 million, final maturity June 2030, interest at 2.4 percent					
Principal	9,750,000	-	-	9,750,000	-
Sewer Bonds, Refunding Series 2015 Original issue amount \$2.210 million, final maturity June 2019, interest at 1.456 percent					
Principal	2,209,800	-	531,912	1,677,888	557,341
Water Bonds, Series 2007 Original issue amount \$4 million, final maturity December 2018, interest at 3.95 percent					
Principal	1,315,371	-	490,079	825,292	406,572
<u>Contract Payable</u>					
Original issue amount \$585,000, final maturity August 2018, interest at 2.0 percent					
Principal	376,276	-	95,372	280,904	97,263
	<u>\$ 22,701,416</u>	<u>\$ -</u>	<u>\$ 1,897,361</u>	<u>\$ 20,804,055</u>	<u>\$ 1,868,244</u>
Compensated absences	<u>\$ 178,666</u>	<u>\$ 187,325</u>	<u>\$ 178,666</u>	<u>\$ 187,325</u>	<u>\$ 187,325</u>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**5. LONG-TERM OBLIGATIONS (Continued)**

The future maturities for business-type activity long-term obligations outstanding as of June 30, 2016, are as follows:

Fiscal Year	Full Faith and Credit Note Series 2014	
	Principal	Interest
2017	\$ 380,000	\$ 92,878
2018	385,000	82,052
2019	395,000	71,083
2020	405,000	59,994
2021	410,000	48,291
2022-26	1,285,000	73,681
	<u>\$ 3,260,000</u>	<u>\$ 427,979</u>

Fiscal Year	General Obligation Water Bonds Series 2007		General Obligation Sewer Bonds Series 2011		General Obligation Sewer Refunding Bond Series 2013	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 406,572	\$ 26,626	\$ 427,068	\$ 198,898	\$ -	\$ 231,050
2018	418,720	10,327	444,848	181,115	-	231,050
2019	-	-	463,371	162,596	130,000	231,050
2020	-	-	482,662	143,304	730,000	228,450
2021	-	-	502,758	123,209	760,000	213,850
2022-26	-	-	2,689,264	284,077	4,250,000	824,038
2027-31	-	-	-	-	3,880,000	280,925
	<u>\$ 825,292</u>	<u>\$ 36,953</u>	<u>\$ 5,009,971</u>	<u>\$ 1,093,199</u>	<u>\$ 9,750,000</u>	<u>\$ 2,240,413</u>

Fiscal Year	General Obligation Sewer Bonds Series 2015		Contract Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 557,341	\$ 20,000	\$ 97,263	\$ 5,633	\$ 1,868,244	\$ 575,085
2018	561,630	19,111	99,224	3,673	1,909,422	527,328
2019	558,917	8,173	84,417	1,688	1,631,705	474,590
2020	-	-	-	-	1,617,662	431,748
2021	-	-	-	-	1,672,758	385,350
2022-26	-	-	-	-	8,224,264	1,181,796
2027-31	-	-	-	-	3,880,000	280,925
	<u>\$ 1,677,888</u>	<u>\$ 47,284</u>	<u>\$ 280,904</u>	<u>\$ 10,994</u>	<u>\$ 20,804,055</u>	<u>\$ 3,856,822</u>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**6. UNAVAILABLE REVENUE**

Resources to the City, which are measurable, but not available, are reported as deferred inflows of resources in the governmental funds. As of June 30, 2016, unavailable revenue consists of the following:

	General Fund	Other Governmental Funds	Totals
Property taxes	\$ 506,462	\$ 125,772	\$ 632,234
LID/Reimbursement District	512,260	-	512,260
Fines and warrants	84,157	-	84,157
	<u>\$ 1,102,879</u>	<u>\$ 125,772</u>	<u>\$ 1,228,651</u>

**7. LANDFILL CLOSURE AND POST CLOSURE COSTS**

The City is a member of the Lincoln County Consortium for Solid Waste Management, which was organized in 1984 to assume responsibility for the management and closure of the Agate Beach Landfill site.

State and Federal laws and regulations require the Consortium to place a final cover on the Agate Beach Landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty (30) years subsequent to closure. The City is responsible for a 25.3% share of Consortium's estimated unfunded costs, which is based on submissions of engineering estimates, construction bids, and projected monitoring costs over the next fourteen years. The estimated liability is based on the assumption that the least expensive disposal alternative will be used.

At June 30, 2016, the City reports a restricted fund balance amount related to these post-closure requirements of \$692,670 and liability in the entity-wide financial statements \$440,520.

**8. EMPLOYEE RETIREMENT PENSION PLAN**

**Pension Plan**

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan that provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges and school districts. The City has joined this plan. The system provides retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

**Description of Benefit Terms**

**Plan Benefits** – Employees of the City are provided with pensions through OPERS. All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. OPERS produces an independently audited CAFR that can be obtained at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

**Benefits provided under Chapter 238-Tier One/Tier Two** – Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

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

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

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

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

**Disability Benefits** - A member 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 OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

**Description of Benefit Terms (continued)**

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

***Benefits provided under Chapter 238A - OPSRP.*** OPSRP pension program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

***General Service*** - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. Employees of the City are considered to be in the General Service category.

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.



**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

**Description of Benefit Terms (continued)**

***Benefits provided under 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.

**Actuarial Valuations**

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

**Actuarial Valuations (Continued)**

Valuation Date	12/31/2013
Measurement Date	06/30/2015
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP Pension UAL (16 year); Amortization periods are closed.
Asset valuation method	Market value of assets, excluding reserves.
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Discount Rate	7.75 percent
Projected salary increases	3.75 percent
Cost of living adjustment	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<b>Healthy retirees and beneficiaries:</b> RP-2000 table, as blended and adjusted. <b>Active members:</b> a percentage of healthy retiree rates. <b>Disabled retirees:</b> males 70%, females 95% of the RP-2000 combined disabled 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.

**Discount Rate**

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

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

**Actuarial Valuations (Continued)**

**Long-Term Expected Rate of Return**

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

**Assumed Asset Allocation**

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC 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	16.0	24.0	20.0
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	10.0	10.0
Opportunity Portfolio	0.0	3.0	0.0
Total			<u>100.0%</u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20%	4.50%
Short-Term Bond	8.00	3.70
Intermediate-Term Bond	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Med Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.54
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.75%

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

**Contributions**

OPERS 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. The rates based on a percentage of payroll, first became effective July 1, 2015.

The City's contributions for the year ended June 30, 2016 were \$1,156,561. The contractually required contribution rates in effect for the fiscal year ended June 30, 2016 were 13.62% for Tier One/Tier Two, 7.10% for OPSRP Pension Program General Service Members, 11.21% for OPSRP Pension Program Police and Fire Members, and 6.00% for OPSRP Individual Account Program. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**Proportionate Share Allocation Methodology**

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost rate and Unfunded Actuarial Liability (UAL) Rate.

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. 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 benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.5%, effective January 1, 2016 which will be used for rates beginning July 1, 2017.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

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

At June 30, 2016, the City reported a liability of \$4,923,598 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share 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 members of the cost sharing pool, actuarially determined. At June 30, 2016 and 2015, the City's proportion was 0.08575513 percent and 0.07669903, respectively.

For the year ended June 30, 2016, the City recognized pension expense/(income) of \$4,800,154. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 265,505	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,032,098
Changes in proportion share	155,485	-
Difference between employer contributions and employer's proportionate share of contributions	-	346,367
City contributions subsequent to the measurement date	670,745	-
Total	<u>\$ 1,091,735</u>	<u>\$ 1,378,465</u>

Deferred outflows of resources related to pensions of \$670,745 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) / liability in the year ending June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ended June 30:	<u>Total</u>
2017	\$ (478,424)
2018	(478,424)
2019	(478,424)
2020	465,731
2021	12,066
	<u>\$ (957,475)</u>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**8. EMPLOYEE RETIREMENT PENSION PLAN (continued)**

**Sensitivity of the City's Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate**

The following represents the City's proportionate share of the pension (asset)/liability calculated using the discount rate of 7.75 percent, as well as what the City's share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Entity's proportionate share of net pension (asset)/liability	\$ 11,882,920	\$ 4,923,598	\$ (941,283)

**9. OTHER POSTEMPLOYMENT BENEFITS**

The City provides other post-employment benefits (OPEB) for employees, retirees, spouses and dependents through a single employer defined contribution plan in the form of group health insurance benefits. As required by ORS 243.303(2) retirees who were hired after July 1, 2003 are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The "plan" does not issue a separate stand-alone financial report.

**Annual OPEB Cost and Net OPEB Obligation**

The City's contributions for these benefits are funded on a "pay-as-you-go" basis. The City has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

The City had its actuarial valuation performed as of August 1, 2014 to determine the unfunded accrued actuarial liability (UAAL), annual required contribution (ARC) and net other post-employment benefit obligation (OPEB) as of that date. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed fifteen years.

The annual OPEB cost is equal to the ARC as follows:

Normal cost	\$ 56,507
Amortization of UAAL	85,811
Annual required contribution	<u>\$ 142,318</u>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**9. OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The net OPEB obligation as of June 30, 2016 was calculated as follows:

Annual required contribution	\$ 142,318
Interest on prior year net OPEB Obligation	28,447
Adjustment to ARC	(97,727)
Implicit benefit payments	(45,737)
	<hr/>
Increase in net OPEB Obligation	27,301
OPEB obligation at beginning of year	812,759
	<hr/>
OPEB obligation at end of year	\$ 840,060

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 73,038	63%	\$ 840,060
June 30, 2015	115,667	53%	812,759
June 30, 2014	112,083	46%	758,124

**Funded Status and Funding Process**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

<u>Valuation Date</u>	<u>Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
August 1, 2014	\$ -	\$ 691,503	\$ 691,503	0%	\$ 7,051,742	9.8%
August 1, 2012	-	880,018	880,018	0%	6,832,392	12.9%
August 1, 2010	-	817,937	817,937	0%	7,107,623	11.5%

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**9. OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2014 actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a discount rate of 3.5 percent based on expected, long-term investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5.75 percent, reduced incrementally to an ultimate rate of 4.75 percent. The UAAL is being amortized using the level dollar amount over an open period of ten years.

**Retirement Health Insurance Account (RHIA)**

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

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.45% of annual covered payroll for OPSRP and 0.53% of annual covered



**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Retirement Health Insurance Account (RHIA) (Continued)**

payroll for Tier 1/Tier 2. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contributions (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2015, 2014 and 2013 were included in contributions made to PERS.

**10. OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Interfund Transfers**

Cash transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations and re-allocations of special revenues. The non-cash transfers occur when a governmental funds purchases a capital asset which will be used in the operation of a business type activity (or visa versa), or when a governmental fund receives proceeds from or pays principal on long-term obligations reported in a business-type activity fund (or visa versa). The following schedule briefly summarizes the City's transfer activity for the year ended June 30, 2016:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental		
General	\$ 105,891	\$ 545,000
Visitor and Convention Bureau	-	61,997
Other governmental	939,077	369,701
Proprietary		
Water	-	38,516
Sewer	-	29,754
	<u>\$ 1,044,968</u>	<u>\$ 1,044,968</u>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**10. OTHER INFORMATION (continued)**

**Construction Commitments**

<b><u>FY2015-16</u></b>	
Parks Master Plan	\$ 17,293
Cutler - SW Jetty Realignment	22,293
Regatta Pump Station	161,005
BayWalk Sidewalk Connection to Schooner Bridge	23,187
NE 61st Street Paving and Storm Improvements	182,385
SW Anchor Overlay Paving Project	148,385
<b>Total Commitments</b>	<b>\$ 554,548</b>
<b><u>Commitments subsequent to June 30, 2016</u></b>	
Water Treatment Plant Variable Frequency Drive	\$ 95,518
Head to Bay Trail	544,986
Biosolids Dewatering Equipment	375,000
Mixing Zone Study	67,642
Voyage Pump Station	224,950
NW 50th Street Rehabilitation Project	115,550
NW Harbor Avenue Improvements	236,518

**Budget Policies and Budgetary Control**

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year-end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City adopts the budget, makes appropriations, and declares the tax levy no later than June 30.

Expenditure appropriations may not be legally over-expended, except in the case of spending related to grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing the appropriations for each fund sets the level at which expenditures and transfers cannot legally exceed appropriations. The City establishes levels of budgetary control at personal services, materials and services, capital outlay, operating contingencies, and debt services for all funds, except the General Fund, where budgetary control is established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City Council must authorize all appropriation transfers and supplementary budgetary appropriations.

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2016**

**11. RESTATEMENT - CITY**

The City has elected to present the Urban Renewal General Fund and the Urban Renewal Construction Fund as separate funds in the current year. In prior years, the Urban Renewal Construction Fund was included as a part of the Urban Renewal General Fund. As a result, the City has restated its June 30, 2015 fund balance to reflect this change:

	<b>Urban Renewal General Fund</b>	<b>Urban Renewal Construction Fund</b>	<b>Total</b>
Fund balance/net position June 30, 2015	\$ 3,997,310	\$ -	\$ 3,997,310
Restatement	<u>(2,301,775)</u>	<u>2,301,775</u>	<u>-</u>
Fund balance/net position June 30, 2015, as restated	<u>\$ 1,695,535</u>	<u>\$ 2,301,775</u>	<u>\$ 3,997,310</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**SCHEDULE OF FUNDING PROGRESS**

**OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
8/1/2010	\$ -	\$ 817,937	\$ 817,937	0%	\$ 7,107,623	11.5%
8/1/2012	-	880,018	880,018	0%	6,832,392	12.9%
8/1/2014	-	691,503	691,503	0%	7,051,742	9.8%

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Contributions in relation to the contractually required contributions</u>	<u>Contribution deficiency/ (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2006	\$ 661,115	\$ 661,115	\$ -	\$ 4,818,371	13.7%
2007	682,360	682,360	-	5,213,479	13.1%
2008	693,005	693,005	-	5,907,328	11.7%
2009	797,470	797,470	-	6,553,849	12.2%
2010	697,856	697,856	-	6,993,225	10.0%
2011	761,513	761,513	-	7,517,603	10.1%
2012	1,029,971	1,029,971	-	7,203,587	14.3%
2013	1,031,298	1,031,298	-	7,456,657	13.8%
2014	1,092,489	1,092,489	-	7,695,975	14.2%
2015	1,049,429	1,049,429	-	7,676,583	13.7%
2016	1,156,561	1,156,561	-	7,888,036	14.7%

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION (ASSET) / LIABILITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Fiscal Year</u>	<u>City's proportion of the net pension (asset)/liability</u>	<u>City's proportionate share of the net pension (asset)/liability</u>	<u>City's covered employee payroll</u>	<u>City's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension (asset)/liability</u>
2007	-	\$ -	\$ 4,818,371	-	-
2008	-	-	5,213,479	-	-
2009	-	-	5,907,328	-	-
2010	-	-	6,553,849	-	-
2011	-	-	6,993,225	-	-
2012	-	-	7,517,603	-	-
2013	-	-	7,203,587	-	-
2014	0.07669903%	3,914,064	7,456,657	50.9%	92.0%
2015	0.07669903%	(1,738,548)	7,695,975	-22.6%	103.6%
2016	0.08575513%	4,923,598	7,676,583	62.4%	91.9%

Note: 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 LINCOLN CITY**  
Lincoln City, Oregon

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 6,143,453	\$ 6,143,453	\$ 6,221,094	\$ 77,641
Franchise fees	1,000,800	1,000,800	1,007,002	6,202
Transient room tax	1,362,393	1,362,393	1,423,506	61,113
Fees, licenses and permits	607,200	637,200	659,823	22,623
Fines, and forfeitures	163,700	163,700	154,811	(8,889)
Charges for services	20,866	20,866	20,867	1
Intergovernmental	559,193	559,193	570,672	11,479
Interest	17,400	17,400	40,740	23,340
Miscellaneous	1,000,861	1,000,861	996,873	(3,988)
<b>TOTAL REVENUES</b>	<b>10,875,866</b>	<b>10,905,866</b>	<b>11,095,388</b>	<b>189,522</b>
<b>EXPENDITURES:</b>				
City council	25,272	25,272	23,638	1,634
City administration	655,613	655,613	557,865	97,748
Finance	842,221	842,221	819,597	22,624
Library	928,355	928,355	875,925	52,430
Municipal court	71,550	77,550	69,787	7,763
City attorney	248,278	278,278	237,487	40,791
Planning	588,975	588,975	528,350	60,625
Building inspection	232,197	262,197	219,801	42,396
Police	4,199,784	4,199,784	3,742,176	457,608
Dispatch Center	960,947	960,947	792,198	168,749
Recreation department	1,239,790	1,239,790	1,069,029	170,761
Non-departmental	382,419	408,894	283,353	125,541
Contingencies	1,900,000	1,837,525	-	1,837,525
<b>TOTAL EXPENDITURES</b>	<b>12,275,401</b>	<b>12,305,401</b>	<b>9,219,206</b>	<b>3,086,195</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,399,535)</b>	<b>(1,399,535)</b>	<b>1,876,182</b>	<b>3,275,717</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	-	5,819	5,819
Transfers in	479,587	479,587	479,587	-
Transfers out	(545,000)	(545,000)	(545,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(65,413)</b>	<b>(65,413)</b>	<b>(59,594)</b>	<b>5,819</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,464,948)</b>	<b>(1,464,948)</b>	<b>1,816,588</b>	<b>3,281,536</b>
<b>FUND BALANCE, beginning of year</b>	<b>4,386,166</b>	<b>4,386,166</b>	<b>6,242,769</b>	<b>1,856,603</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 2,921,218</b>	<b>\$ 2,921,218</b>	<b>\$ 8,059,357</b>	<b>\$ 5,138,139</b>



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**VISITOR AND CONVENTION BUREAU FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Transient room tax	\$ 1,775,257	\$ 1,932,458	\$ 157,201
Interest on investments	2,300	6,905	4,605
Miscellaneous	<u>95,750</u>	<u>119,311</u>	<u>23,561</u>
<b>TOTAL REVENUES</b>	<u>1,873,307</u>	<u>2,058,674</u>	<u>185,367</u>
<b>EXPENDITURES:</b>			
Personal services	631,893	600,579	31,314
Materials and services	1,109,896	768,774	341,122
Capital outlay	90,000	14,240	75,760
Contingency	<u>716,860</u>	<u>-</u>	<u>716,860</u>
<b>TOTAL EXPENDITURES</b>	<u>2,548,649</u>	<u>1,383,593</u>	<u>1,165,056</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(675,342)	675,081	1,350,423
<b>OTHER FINANCING USES:</b>			
Transfers out	<u>(96,502)</u>	<u>(96,502)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(771,844)	578,579	1,350,423
<b>FUND BALANCE, beginning of year</b>	<u>771,844</u>	<u>968,712</u>	<u>196,868</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 1,547,291</u>	<u>\$ 1,547,291</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**URBAN RENEWAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Interest on investments	\$ 8,000	\$ 8,000	\$ 8,269	\$ 269
Miscellaneous	-	40,317	33,346	(6,971)
<b>TOTAL REVENUES</b>	<b>8,000</b>	<b>48,317</b>	<b>41,615</b>	<b>(6,702)</b>
<b>EXPENDITURES:</b>				
Personal services	161,172	211,172	204,770	6,402
Materials and services	217,578	258,895	234,627	24,268
Capital outlay	1,213,220	1,276,220	236,783	1,039,437
<b>TOTAL EXPENDITURES</b>	<b>1,591,970</b>	<b>1,746,287</b>	<b>676,180</b>	<b>1,070,107</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	<b>(1,583,970)</b>	<b>(1,697,970)</b>	<b>(634,565)</b>	<b>1,063,405</b>
<b>FUND BALANCE, beginning of year</b>	<b>1,583,970</b>	<b>1,697,970</b>	<b>1,695,535</b>	<b>(2,435)</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,060,970</b>	<b>\$ 1,060,970</b>

**CITY OF LINCOLN CITY, OREGON**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016**

**Budget Policies and Budgetary Control**

Generally, Oregon Local Budget Law requires annual budgets to be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City adopts the budget, makes appropriations, and declares the tax levy no later than June 30.

Expenditure appropriations may not be legally over-expended, except in the case of spending related to grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing the appropriations for each fund sets the level at which expenditures and transfer cannot legally exceed appropriations. The City establishes levels of budgetary control at personal service, materials and services, capital outlay, operating contingencies, and debt service for all funds, except the General Fund and Internal Service Fund, where budgetary control is established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City Council must authorize all appropriation transfers and supplementary budgetary appropriations.

City Council approved three changes to the fiscal year 2015-2016 General Fund adopted budget. These changes moved amounts from contingency into operating expenditure categories to reflect actual spending patterns. It also increased revenue and expenditure by \$30,000 to provide for higher than anticipated building permit activity.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Totals
<b>ASSETS:</b>				
Cash and investments	\$ 2,406,059	\$ 1,561,940	\$ 4,620,208	\$ 8,588,207
Cash with County Treasurer	-	13,087	-	13,087
Receivables	1,152,645	125,772	153,190	1,431,607
Prepaid items	1,000	-	-	1,000
Assets held for sale	560,822	-	-	560,822
<b>TOTAL ASSETS</b>	<b>\$ 4,120,526</b>	<b>\$ 1,700,799</b>	<b>\$ 4,773,398</b>	<b>\$ 10,594,723</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 61,651	\$ -	\$ 472,652	\$ 534,303
<b>TOTAL LIABILITIES</b>	<b>61,651</b>	<b>-</b>	<b>472,652</b>	<b>534,303</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>				
Unavailable revenue	-	125,772	-	125,772
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>-</b>	<b>125,772</b>	<b>-</b>	<b>125,772</b>
<b>FUND BALANCES:</b>				
Nonspendable in form	1,053,711	-	-	1,053,711
Restricted for:				
Capital projects	-	-	3,756,129	3,756,129
Road construction/maintenance	938,467	-	-	938,467
Urban renewal	774,702	-	-	774,702
Parks maintenance	1,029,752	-	-	1,029,752
Debt service	-	1,575,027	-	1,575,027
Committed to:				
Affordable housing	171,259	-	-	171,259
Maintenance	29,165	-	-	29,165
Art and education	61,819	-	-	61,819
Assigned to:				
Capital projects	-	-	544,617	544,617
<b>TOTAL FUND BALANCES</b>	<b>4,058,875</b>	<b>1,575,027</b>	<b>4,300,746</b>	<b>9,934,648</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,120,526</b>	<b>\$ 1,700,799</b>	<b>\$ 4,773,398</b>	<b>\$ 10,594,723</b>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	<u>Totals</u>
<b>REVENUES:</b>				
Property taxes	\$ -	\$ 663,148	\$ -	\$ 663,148
Franchise fees	18,596	-	-	18,596
Transient room tax	2,347,073	-	633,913	2,980,986
Rents	203,560	-	-	203,560
Charges for services	4,689	-	260,391	265,080
Intergovernmental	504,591	-	229,060	733,651
Reimbursement from other funds	32,060	-	-	32,060
Interest on investments	14,717	13,974	31,338	60,029
Miscellaneous	38,641	-	259,793	298,434
<b>TOTAL REVENUES</b>	<u>3,163,927</u>	<u>677,122</u>	<u>1,414,495</u>	<u>5,255,544</u>
<b>EXPENDITURES:</b>				
Current:				
General government	479,853	-	214,858	694,711
Highways and streets	1,175,298	-	-	1,175,298
Culture and recreation	826,885	-	-	826,885
Art and education	26,114	-	-	26,114
Debt service	-	1,040,304	-	1,040,304
Capital outlay	213,243	-	2,372,031	2,585,274
<b>TOTAL EXPENDITURES</b>	<u>2,721,393</u>	<u>1,040,304</u>	<u>2,586,889</u>	<u>6,348,586</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>442,534</u>	<u>(363,182)</u>	<u>(1,172,394)</u>	<u>(1,093,042)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of equipment	8,125	-	-	8,125
Transfers in	219,077	-	720,000	939,077
Transfers out	(369,701)	-	-	(369,701)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(142,499)</u>	<u>-</u>	<u>720,000</u>	<u>577,501</u>
<b>NET CHANGE IN FUND BALANCE</b>	300,035	(363,182)	(452,394)	(515,541)
<b>FUND BALANCE, beginning of year</b>	<u>3,758,840</u>	<u>1,938,209</u>	<u>4,753,140</u>	<u>10,450,189</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 4,058,875</u>	<u>\$ 1,575,027</u>	<u>\$ 4,300,746</u>	<u>\$ 9,934,648</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	<u>Affordable Housing</u>	<u>Lincoln Square Operations</u>	<u>Public Education Government Access</u>	<u>Street</u>	<u>Urban Renewal Property Rehabilitation Program</u>
<b>ASSETS:</b>					
Cash and investments	\$ 171,312	\$ 37,954	\$ 24,095	\$ 620,650	\$ 787,624
Receivables	84,891	-	4,736	349,530	407,998
Prepaid items	-	-	1,000	-	-
Assets held for sale	560,822	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 817,025</u></b>	<b><u>\$ 37,954</u></b>	<b><u>\$ 29,831</u></b>	<b><u>\$ 970,180</u></b>	<b><u>\$ 1,195,622</u></b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 53	\$ 8,789	\$ 450	\$ 31,713	\$ 12,922
<b>FUND BALANCES:</b>					
Nonspendable in form	645,713	-	-	-	407,998
Restricted for:					
Road construction/maintenance	-	-	-	938,467	-
Parks maintenance	-	-	-	-	-
Urban Renewal	-	-	-	-	774,702
Committed to:					
Affordable housing	171,259	-	-	-	-
Maintenance	-	29,165	-	-	-
Art and education	-	-	29,381	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>816,972</u></b>	<b><u>29,165</u></b>	<b><u>29,381</u></b>	<b><u>938,467</u></b>	<b><u>1,182,700</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 817,025</u></b>	<b><u>\$ 37,954</u></b>	<b><u>\$ 29,831</u></b>	<b><u>\$ 970,180</u></b>	<b><u>\$ 1,195,622</u></b>

<u>Parks Maintenance</u>	<u>Percent for Art</u>	<u>Totals</u>
\$ 731,986	\$ 32,438	\$ 2,406,059
305,490	-	1,152,645
-	-	1,000
-	-	560,822
<u>\$ 1,037,476</u>	<u>\$ 32,438</u>	<u>\$ 4,120,526</u>
\$ 7,724	\$ -	\$ 61,651
-	-	1,053,711
-	-	938,467
1,029,752	-	1,029,752
-	-	774,702
-	-	171,259
-	-	29,165
-	32,438	61,819
<u>1,029,752</u>	<u>32,438</u>	<u>4,058,875</u>
<u>\$ 1,037,476</u>	<u>\$ 32,438</u>	<u>\$ 4,120,526</u>



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Affordable Housing	Lincoln Square Operations	Public Education and Government Access	Street	Urban Renewal Property Rehabilitation Program
<b>REVENUES:</b>					
Franchise fees	\$ -	\$ -	\$ 18,596	\$ -	\$ -
Transient room tax	-	-	-	1,267,234	-
Rents	12,711	190,849	-	-	-
Charges for services	-	-	-	4,689	-
Intergovernmental	-	1,091	484	494,916	-
Reimbursement from other funds	-	32,060	-	-	-
Interest on investments	1,176	134	102	4,480	4,294
Miscellaneous	-	32,464	-	-	-
<b>TOTAL REVENUES</b>	<b>13,887</b>	<b>256,598</b>	<b>19,182</b>	<b>1,771,319</b>	<b>4,294</b>
<b>EXPENDITURES:</b>					
Current					
General government	39,803	415,613	-	-	24,437
Highways and streets	-	-	-	1,175,298	-
Culture and recreation	-	-	-	-	-
Art and education	-	-	26,114	-	-
Capital outlay	-	-	20,846	107,490	-
<b>TOTAL EXPENDITURES</b>	<b>39,803</b>	<b>415,613</b>	<b>46,960</b>	<b>1,282,788</b>	<b>24,437</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(25,916)</b>	<b>(159,015)</b>	<b>(27,778)</b>	<b>488,531</b>	<b>(20,143)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	-	-	-	6,600	-
Transfers in	-	172,772	30,000	-	-
Transfers out	-	-	-	(329,701)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>172,772</b>	<b>30,000</b>	<b>(323,101)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(25,916)</b>	<b>13,757</b>	<b>2,222</b>	<b>165,430</b>	<b>(20,143)</b>
<b>FUND BALANCE, beginning of year</b>	<b>842,888</b>	<b>15,408</b>	<b>27,159</b>	<b>773,037</b>	<b>1,202,843</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 816,972</b>	<b>\$ 29,165</b>	<b>\$ 29,381</b>	<b>\$ 938,467</b>	<b>\$ 1,182,700</b>

<u>Parks Maintenance</u>	<u>Percent for Art</u>	<u>Totals</u>
\$ -	\$ -	\$ 18,596
1,079,839	-	2,347,073
-	-	203,560
-	-	4,689
8,100	-	504,591
-	-	32,060
4,416	115	14,717
1,956	4,221	38,641
<u>1,094,311</u>	<u>4,336</u>	<u>3,163,927</u>
-	-	479,853
-	-	1,175,298
826,885	-	826,885
-	-	26,114
<u>84,907</u>	<u>-</u>	<u>213,243</u>
<u>911,792</u>	<u>-</u>	<u>2,721,393</u>
<u>182,519</u>	<u>4,336</u>	<u>442,534</u>
1,525	-	8,125
-	16,305	219,077
<u>(40,000)</u>	<u>-</u>	<u>(369,701)</u>
<u>(38,475)</u>	<u>16,305</u>	<u>(142,499)</u>
144,044	20,641	300,035
<u>885,708</u>	<u>11,797</u>	<u>3,758,840</u>
<u>\$ 1,029,752</u>	<u>\$ 32,438</u>	<u>\$ 4,058,875</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**AFFORDABLE HOUSING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Rents	\$ 12,000	\$ 12,711	\$ 711
Interest on investments	500	1,176	676
Loan repayments	-	37,300	37,300
<b>TOTAL REVENUES</b>	<u>12,500</u>	<u>51,187</u>	<u>5</u>
<b>EXPENDITURES:</b>			
Materials and services	47,821	39,803	8,018
Capital outlay	138,689	-	138,689
<b>TOTAL EXPENDITURES</b>	<u>186,510</u>	<u>39,803</u>	<u>146,707</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	<u>(174,010)</u>	<u>11,384</u>	<u>185,394</u>
<b>FUND BALANCE, beginning of year</b>	<u>174,010</u>	<u>159,875</u>	<u>(14,135)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 171,259</u>	<u>\$ 171,259</u>
Fund balance - budgetary basis		\$ 171,259	
Balance of loans receivable		84,891	
Assets held for sale		<u>560,822</u>	
Fund balance - GAAP basis		<u>\$ 816,972</u>	

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**LINCOLN SQUARE OPERATIONS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Rents	\$ 191,000	\$ 191,000	\$ 190,849	\$ (151)
Reimbursement from other funds	32,060	32,060	32,060	-
Intergovernmental	1,400	1,400	1,091	(309)
Interest on investments	100	100	134	34
Miscellaneous	33,000	33,000	32,464	(536)
<b>TOTAL REVENUES</b>	<b>257,560</b>	<b>257,560</b>	<b>256,598</b>	<b>(962)</b>
<b>EXPENDITURES:</b>				
Personal services	165,055	172,555	172,171	384
Materials and services	241,626	247,526	243,442	4,084
Contingency	35,393	21,993	-	21,993
<b>TOTAL EXPENDITURES</b>	<b>442,074</b>	<b>442,074</b>	<b>415,613</b>	<b>26,461</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(184,514)</b>	<b>(184,514)</b>	<b>(159,015)</b>	<b>25,499</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	172,772	172,772	172,772	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(11,742)</b>	<b>(11,742)</b>	<b>13,757</b>	<b>25,499</b>
<b>FUND BALANCE, beginning of year</b>	<b>11,742</b>	<b>11,742</b>	<b>15,408</b>	<b>3,666</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,165</b>	<b>\$ 29,165</b>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PUBLIC EDUCATION AND GOVERNMENT ACCESS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Franchise fees	\$ 11,000	\$ 18,596	\$ 7,596
Intergovernmental	300	484	184
Interest on investments	75	102	27
<b>TOTAL REVENUES</b>	<u>11,375</u>	<u>19,182</u>	<u>7,807</u>
<b>EXPENDITURES:</b>			
Personal services	7,563	4,777	2,786
Materials and services	43,058	21,337	21,721
Capital outlay	-	20,846	(20,846)
Contingency	8,269	-	8,269
<b>TOTAL EXPENDITURES</b>	<u>58,890</u>	<u>46,960</u>	<u>11,930</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(47,515)</u>	<u>(27,778)</u>	<u>19,737</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	30,000	30,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>(17,515)</u>	<u>2,222</u>	<u>19,737</u>
<b>FUND BALANCE, beginning of year</b>	<u>17,515</u>	<u>27,159</u>	<u>9,644</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 29,381</u></u>	<u><u>\$ 29,381</u></u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Transient room tax	\$ 1,164,087	\$ 1,164,087	\$ 1,267,234	\$ 103,147
Charges for services	3,700	3,700	4,689	989
Intergovernmental	478,416	478,416	494,916	16,500
Interest on investments	2,000	2,000	4,480	2,480
<b>TOTAL REVENUES</b>	<u>1,648,203</u>	<u>1,648,203</u>	<u>1,771,319</u>	<u>123,116</u>
<b>EXPENDITURES:</b>				
Personal services	657,414	657,414	643,996	13,418
Materials and services	503,595	495,818	468,397	27,421
Capital outlay	103,000	108,000	107,490	510
Contingency	617,048	617,048	-	617,048
<b>TOTAL EXPENDITURES</b>	<u>1,881,057</u>	<u>1,878,280</u>	<u>1,219,883</u>	<u>658,397</u>
<b>EXCESS (DEFICIENCY) OF REVENUES   OVER (UNDER) EXPENDITURES</b>	<u>(232,854)</u>	<u>(230,077)</u>	<u>551,436</u>	<u>781,513</u>
<b>OTHER FINANCING USES:</b>				
Proceeds from sale of equipment	-	-	6,600	6,600
Transfers out	<u>(389,830)</u>	<u>(392,607)</u>	<u>(392,606)</u>	<u>1</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>(389,830)</u>	<u>(392,607)</u>	<u>(386,006)</u>	<u>6,601</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(622,684)</u>	<u>(622,684)</u>	<u>165,430</u>	<u>788,114</u>
<b>FUND BALANCE, beginning of year</b>	<u>622,684</u>	<u>622,684</u>	<u>773,037</u>	<u>150,353</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,467</u>	<u>\$ 938,467</u>
Transfers out - budgetary basis			\$ 392,606	
Transfer for support services			<u>(62,905)</u>	
Transfers out - GAAP basis			<u>\$ 329,701</u>	
Total expenditures - budgetary basis			\$ 1,219,883	
Transfer for support services			<u>62,905</u>	
Total expenditures - GAAP basis			<u>\$ 1,282,788</u>	

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**URBAN RENEWAL PROPERTY REHABILITATION PROGRAM FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Loan repayments	\$ 50,000	\$ 62,159	\$ 12,159
Interest on investments	3,200	4,711	1,511
<b>TOTAL REVENUES</b>	<u>53,200</u>	<u>66,870</u>	<u>13,670</u>
<b>EXPENDITURES:</b>			
Materials and services	15,000	24,437	(9,437)
Other expenditures - loans	831,423	110,692	720,731
<b>TOTAL EXPENDITURES</b>	<u>846,423</u>	<u>135,129</u>	<u>711,294</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(793,223)	(68,259)	724,964
<b>FUND BALANCE, beginning of year</b>	<u>793,223</u>	<u>842,961</u>	<u>49,738</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 774,702</u>	<u>\$ 774,702</u>
Fund balance - budgetary basis		\$ 774,702	
Balance of loans receivable		407,998	
Fund balance - GAAP basis		<u>\$ 1,182,700</u>	
Change in fund balance - budgetary basis		\$ (68,259)	
Other expenditures reported as increases in receivable		110,692	
Adjust loan receivable to actual		(417)	
Loan repayments reported as reduction in receivable		<u>(62,159)</u>	
Changes in fund balance - GAAP basis		<u>\$ (20,143)</u>	

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PARKS MAINTENANCE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Transient room tax	\$ 976,692	\$ 1,079,839	\$ 103,147
Intergovernmental	8,200	8,100	(100)
Interest on investments	2,000	4,416	2,416
Miscellaneous	500	1,956	1,456
	<u>987,392</u>	<u>1,094,311</u>	<u>106,919</u>
<b>EXPENDITURES:</b>			
Personal services	539,571	520,837	18,734
Materials and services	376,861	285,531	91,330
Capital outlay	118,000	84,907	33,093
Contingency	691,664	-	691,664
	<u>1,726,096</u>	<u>891,275</u>	<u>834,821</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(738,704)</u>	<u>203,036</u>	<u>941,740</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of equipment	-	1,525	1,525
Transfers out	<u>(60,517)</u>	<u>(60,517)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(60,517)</u>	<u>(58,992)</u>	<u>1,525</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(799,221)</u>	<u>144,044</u>	<u>943,265</u>
<b>FUND BALANCE, beginning of year</b>	<u>799,221</u>	<u>885,708</u>	<u>86,487</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 1,029,752</u>	<u>\$ 1,029,752</u>
Transfers out - budgetary basis		\$ 60,517	
Transfer for support services		<u>(20,517)</u>	
Transfers out - GAAP basis		<u>\$ 40,000</u>	
Total expenditures - budgetary basis		\$ 891,275	
Transfer for support services		<u>20,517</u>	
Total expenditures - GAAP basis		<u>\$ 911,792</u>	



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PERCENT FOR ART FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest on investments	\$ 25	\$ 115	\$ 90
Miscellaneous - Grants/Donations	<u>5,000</u>	<u>4,221</u>	<u>(779)</u>
<b>TOTAL REVENUES</b>	<u>5,025</u>	<u>4,336</u>	<u>(689)</u>
<b>EXPENDITURES:</b>			
Materials and services	1,000	-	1,000
Capital outlay	<u>28,391</u>	<u>-</u>	<u>28,391</u>
<b>TOTAL EXPENDITURES</b>	<u>29,391</u>	<u>-</u>	<u>29,391</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(24,366)	4,336	28,702
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	<u>10,000</u>	<u>16,305</u>	<u>6,305</u>
<b>NET CHANGE IN FUND BALANCE</b>	(14,366)	20,641	35,007
<b>FUND BALANCE, beginning of year</b>	<u>14,366</u>	<u>11,797</u>	<u>(2,569)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 32,438</u>	<u>\$ 32,438</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**URBAN RENEWAL TAX INCREMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes	\$ 685,931	\$ 663,148	\$ (22,783)
Interest on investments	11,000	13,974	2,974
<b>TOTAL REVENUES</b>	<u>696,931</u>	<u>677,122</u>	<u>(19,809)</u>
<b>EXPENDITURES:</b>			
Debt service	<u>2,628,044</u>	<u>1,040,304</u>	<u>1,587,740</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(1,931,113)	(363,182)	1,567,931
<b>FUND BALANCE, beginning of year</b>	<u>1,931,113</u>	<u>1,938,209</u>	<u>7,096</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 1,575,027</u>	<u>\$ 1,575,027</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**NONMAJOR CAPITAL PROJECTS FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	Transportation Development	N Hwy 101 Improvement Program	Intersection Improvement Program	Storm Drainage Development	Park System Development Charge Improvement	Parks Development	Urban Renewal Construction Fund
<b>ASSETS:</b>							
Cash and investments	\$ 455,987	\$ 120,598	\$ 131,089	\$ 85,807	\$ 279,061	\$ 511,880	\$ 1,716,528
Receivables	-	-	-	-	445	-	-
<b>TOTAL ASSETS</b>	<u>\$ 455,987</u>	<u>\$ 120,598</u>	<u>\$ 131,089</u>	<u>\$ 85,807</u>	<u>\$ 279,506</u>	<u>\$ 511,880</u>	<u>\$ 1,716,528</u>
<b>LIABILITIES:</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,257	\$ -	\$ 341,209
<b>FUND BALANCES:</b>							
Restricted for:							
Capital projects	455,987	120,598	131,089	85,807	273,249	511,880	1,375,319
Assigned to:							
Capital projects	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 455,987</u>	<u>\$ 120,598</u>	<u>\$ 131,089</u>	<u>\$ 85,807</u>	<u>\$ 279,506</u>	<u>\$ 511,880</u>	<u>\$ 1,716,528</u>

<u>Facilities Capital</u>	<u>Street Capital</u>	<u>Totals</u>
\$ 652,455	\$ 666,803	\$ 4,620,208
152,745	-	153,190
<u>\$ 805,200</u>	<u>\$ 666,803</u>	<u>\$ 4,773,398</u>
\$ 3,000	\$ 122,186	\$ 472,652
802,200	-	3,756,129
-	544,617	544,617
<u>\$ 805,200</u>	<u>\$ 666,803</u>	<u>\$ 4,773,398</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**NONMAJOR CAPITAL PROJECTS FUNDS**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Transportation Development	N Hwy 101 Improvement Program	Intersection Improvement	Storm Drainage Development	Parks System Development Charge Improvement	Parks Development	Urban Renewal Construction Fund
<b>REVENUES:</b>							
Transient room tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	109,689	4,371	-	982	145,349	-	-
Intergovernmental	-	-	-	-	4,998	-	-
Interest on investments	2,548	728	807	529	1,814	2,386	13,497
Miscellaneous	-	-	-	-	1,051	258,742	-
<b>TOTAL REVENUES</b>	<b>112,237</b>	<b>5,099</b>	<b>807</b>	<b>1,511</b>	<b>153,212</b>	<b>261,128</b>	<b>13,497</b>
<b>EXPENDITURES:</b>							
Materials and services	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	135,279	-	939,953
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,279</b>	<b>-</b>	<b>939,953</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>112,237</b>	<b>5,099</b>	<b>807</b>	<b>1,511</b>	<b>17,933</b>	<b>261,128</b>	<b>(926,456)</b>
<b>OTHER FINANCING SOURCES</b>							
Transfers in	-	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>112,237</b>	<b>5,099</b>	<b>807</b>	<b>1,511</b>	<b>17,933</b>	<b>261,128</b>	<b>(926,456)</b>
<b>FUND BALANCE, beginning of year</b>	<b>343,750</b>	<b>115,499</b>	<b>130,282</b>	<b>84,296</b>	<b>255,316</b>	<b>250,752</b>	<b>2,301,775</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 455,987</b>	<b>\$ 120,598</b>	<b>\$ 131,089</b>	<b>\$ 85,807</b>	<b>\$ 273,249</b>	<b>\$ 511,880</b>	<b>\$ 1,375,319</b>

<u>Facilities Capital</u>	<u>Street Capital</u>	<u>Totals</u>
\$ 633,913	\$ -	\$ 633,913
-	-	260,391
-	224,062	229,060
3,986	5,043	31,338
-	-	259,793
<u>637,899</u>	<u>229,105</u>	<u>1,414,495</u>
-	214,858	214,858
<u>437,937</u>	<u>858,862</u>	<u>2,372,031</u>
<u>437,937</u>	<u>1,073,720</u>	<u>2,586,889</u>
199,962	(844,615)	(1,172,394)
-	720,000	720,000
199,962	(124,615)	(452,394)
<u>602,238</u>	<u>669,232</u>	<u>4,753,140</u>
<u>\$ 802,200</u>	<u>\$ 544,617</u>	<u>\$ 4,300,746</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**TRANSPORTATION DEVELOPMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Improvement fee	\$ 9,930	\$ 109,689	\$ 99,759
Interest on investments	1,500	2,548	1,048
<b>TOTAL REVENUES</b>	<u>11,430</u>	<u>112,237</u>	<u>100,807</u>
<b>EXPENDITURES:</b>			
Capital outlay	<u>343,804</u>	<u>-</u>	<u>343,804</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(332,374)	112,237	444,611
<b>FUND BALANCE, beginning of year</b>	<u>332,374</u>	<u>343,750</u>	<u>11,376</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 455,987</u></u>	<u><u>\$ 455,987</u></u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**N HWY 101 IMPROVEMENT PROGRAM FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Improvement fee	\$ -	\$ 4,371	\$ 4,371
Interest on investments	400	728	328
<b>TOTAL REVENUES</b>	<u>400</u>	<u>5,099</u>	<u>4,699</u>
<b>EXPENDITURES:</b>			
Capital outlay	<u>115,769</u>	<u>-</u>	<u>115,769</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(115,369)	5,099	120,468
<b>FUND BALANCE, beginning of year</b>	<u>115,369</u>	<u>115,499</u>	<u>130</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 120,598</u></u>	<u><u>\$ 120,598</u></u>



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**INTERSECTION IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest on investments	<u>\$ 500</u>	<u>\$ 807</u>	<u>\$ 307</u>
<b>EXPENDITURES:</b>			
Capital outlay	<u>130,684</u>	<u>-</u>	<u>130,684</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	<u>(130,184)</u>	<u>807</u>	<u>130,991</u>
<b>FUND BALANCE, beginning of year</b>	<u>130,184</u>	<u>130,282</u>	<u>98</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 131,089</u></u>	<u><u>\$ 131,089</u></u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**STORM DRAINAGE DEVELOPMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Improvement fee	\$ 700	\$ 982	\$ 282
Interest on investments	400	529	129
<b>TOTAL REVENUES</b>	<u>1,100</u>	<u>1,511</u>	<u>411</u>
<b>EXPENDITURES:</b>			
Capital outlay	85,018	-	85,018
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(83,918)	1,511	85,429
<b>FUND BALANCE, beginning of year</b>	<u>83,918</u>	<u>84,296</u>	<u>378</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 85,807</u>	<u>\$ 85,807</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PARKS SYSTEM DEVELOPMENT CHARGE IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Improvement fee	\$ 50,600	\$ 50,600	\$ 145,349	\$ 94,749
Intergovernmental	701,832	701,832	4,998	(696,834)
Interest on investments	500	500	1,814	1,314
Miscellaneous	1,100	1,100	1,051	(49)
<b>TOTAL REVENUES</b>	<u>754,032</u>	<u>754,032</u>	<u>153,212</u>	<u>(600,820)</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>883,354</u>	<u>1,008,354</u>	<u>135,279</u>	<u>873,075</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(129,322)	(254,322)	17,933	272,255
<b>FUND BALANCE, beginning of year</b>	<u>129,322</u>	<u>254,322</u>	<u>255,316</u>	<u>994</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,249</u>	<u>\$ 273,249</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PARKS DEVELOPMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest on investments	\$ -	\$ 2,386	\$ 2,386
Miscellaneous - Donation	-	258,742	258,742
<b>TOTAL REVENUES</b>	<u>-</u>	<u>261,128</u>	<u>261,128</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	-	261,128	261,128
<b>FUND BALANCE, beginning of year</b>	<u>-</u>	<u>250,752</u>	<u>250,752</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 511,880</u>	<u>\$ 511,880</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**URBAN RENEWAL CONSTRUCTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ 5,000	\$ 5,000	\$ 13,497	\$ 8,497
<b>EXPENDITURES:</b>				
Capital outlay	2,257,430	2,301,775	939,953	1,361,822
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(2,252,430)	(2,296,775)	(926,456)	1,370,319
<b>FUND BALANCE, beginning of year</b>	2,252,430	2,296,775	2,301,775	5,000
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,319</u>	<u>\$ 1,375,319</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**FACILITIES CAPITAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Transient room tax	\$ 582,044	\$ 582,044	\$ 633,913	\$ 51,869
Interest on investments	500	500	3,986	3,486
<b>TOTAL REVENUES</b>	<u>582,544</u>	<u>582,544</u>	<u>637,899</u>	<u>55,355</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>974,482</u>	<u>1,167,482</u>	<u>437,937</u>	<u>729,545</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(391,938)	(584,938)	199,962	784,900
<b>FUND BALANCE, beginning of year</b>	<u>391,938</u>	<u>584,938</u>	<u>602,238</u>	<u>17,300</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 802,200</u>	<u>\$ 802,200</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**STREET CAPITAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 178,088	\$ 224,062	\$ 224,062	\$ -
Interest on investments	3,000	3,000	5,043	2,043
<b>TOTAL REVENUES</b>	<u>181,088</u>	<u>227,062</u>	<u>229,105</u>	<u>2,043</u>
<b>EXPENDITURES:</b>				
Materials and services	450,000	953,000	214,858	738,142
Capital outlay	978,065	663,292	858,862	(195,570)
<b>TOTAL EXPENDITURES</b>	<u>1,428,065</u>	<u>1,616,292</u>	<u>1,073,720</u>	<u>542,572</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,246,977)	(1,389,230)	(844,615)	544,615
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	720,000	720,000	720,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(526,977)	(669,230)	(124,615)	544,615
<b>FUND BALANCE, beginning of year</b>	<u>526,977</u>	<u>669,230</u>	<u>669,232</u>	<u>2</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 544,617</u>	<u>\$ 544,617</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**WATER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 3,498,625	\$ 3,498,625	\$ 3,637,558	\$ 138,933
Interest on investments	(700)	(700)	743	1,443
Miscellaneous	2,000	2,000	2,468	468
<b>TOTAL REVENUES</b>	<u>3,499,925</u>	<u>3,499,925</u>	<u>3,640,769</u>	<u>140,844</u>
<b>EXPENDITURES:</b>				
Personal services	1,287,228	1,287,228	1,239,989	47,239
Materials and services	726,664	711,964	597,746	114,218
Capital outlay	105,650	114,650	78,921	35,729
Contingency	520,565	520,565	-	520,565
<b>TOTAL EXPENDITURES</b>	<u>2,640,107</u>	<u>2,634,407</u>	<u>1,916,656</u>	<u>717,751</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	859,818	865,518	1,724,113	858,595
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(1,397,913)</u>	<u>(1,403,613)</u>	<u>(1,403,613)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(538,095)	(538,095)	320,500	858,595
<b>FUND BALANCE, beginning of year</b>	<u>538,095</u>	<u>538,095</u>	<u>640,535</u>	<u>102,440</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,035</u>	<u>\$ 961,035</u>
Fund balance - budgetary basis			\$ 961,035	
Advance to other funds			<u>(82,495)</u>	
Fund balance - GAAP basis			<u>\$ 878,540</u>	
Change in fund balance - budgetary basis			\$ 320,500	
Repayment of advance reported as reduction in receivable			<u>82,550</u>	
Change in fund balance - GAAP basis			<u>\$ 403,050</u>	



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**WATER CAPITAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
System development charges	\$ 78,523	\$ 78,523	\$ 161,084	\$ 82,561
Intergovernmental	-	141,100	-	(141,100)
Interest on investments	700	700	2,308	1,608
<b>TOTAL REVENUES</b>	<b>79,223</b>	<b>220,323</b>	<b>163,392</b>	<b>(56,931)</b>
<b>EXPENDITURES:</b>				
Capital outlay	422,929	564,029	151,978	412,051
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(343,706)</b>	<b>(343,706)</b>	<b>11,414</b>	<b>355,120</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	150,000	150,000	150,000	-
Transfers out	(100,000)	(100,000)	(100,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(293,706)</b>	<b>(293,706)</b>	<b>61,414</b>	<b>355,120</b>
<b>FUND BALANCE, beginning of year</b>	<b>293,706</b>	<b>293,706</b>	<b>315,632</b>	<b>21,926</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 377,046</b>	<b>\$ 377,046</b>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**WATER CONSTRUCTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 125,000	\$ 151,486	\$ 26,486
Interest on investments	10,000	10,000	11,414	1,414
<b>TOTAL REVENUES</b>	<u>10,000</u>	<u>135,000</u>	<u>162,900</u>	<u>27,900</u>
<b>EXPENDITURES:</b>				
Capital outlay	1,300,000	2,451,965	1,345,205	1,106,760
Debt service	382,000	102,897	102,897	-
Contingency	767,846	52,931	-	52,931
<b>TOTAL EXPENDITURES</b>	<u>2,449,846</u>	<u>2,607,793</u>	<u>1,448,102</u>	<u>1,159,691</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(2,439,846)	(2,472,793)	(1,285,202)	1,187,591
<b>FUND BALANCE, beginning of year</b>	<u>2,439,846</u>	<u>2,472,793</u>	<u>2,472,792</u>	<u>(1)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,590</u>	<u>\$ 1,187,590</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**WATER BOND FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest on investments	<u>\$ 500</u>	<u>\$ 617</u>	<u>\$ 117</u>
<b>EXPENDITURES:</b>			
Debt service	<u>1,044,052</u>	<u>1,006,756</u>	<u>37,296</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,043,552)</u>	<u>(1,006,139)</u>	<u>37,413</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	<u>1,024,000</u>	<u>1,024,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(19,552)</u>	<u>17,861</u>	<u>37,413</u>
<b>FUND BALANCE, beginning of year</b>	<u>19,552</u>	<u>19,470</u>	<u>(82)</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 37,331</u></u>	<u><u>\$ 37,331</u></u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO CHANGES IN FUND NET POSITION - WATER FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Revenues	Expenditures	Revenues Over (Under) Expenditures
<b>BUDGETARY BASIS REVENUES AND EXPENDITURES:</b>			
Water Fund	\$ 3,640,769	\$ 1,916,656	\$ 1,724,113
Water Capital Fund	163,392	151,978	11,414
Water Construction Fund	162,900	1,448,102	(1,285,202)
Water Bond Fund	617	1,006,756	(1,006,139)
<b>TOTAL</b>	<b>\$ 3,967,678</b>	<b>\$ 4,523,492</b>	<b>(555,814)</b>
 <b>ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:</b>			
Depreciation			(1,134,918)
Capital asset additions			1,576,104
Change in accrued interest payable			4,374
Change in accrued compensated absences			(6,688)
Change in other postemployment benefit obligation			(2,566)
Pension expense			(492,234)
Principal payments			955,451
Support services			(208,547)
Transfers out			(38,516)
 <b>CHANGES IN FUND NET POSITION - GAAP</b>			<b>\$ 96,645</b>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**SEWER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Charges for services	\$ 3,051,762	\$ 3,189,544	\$ 137,782
Interest on investments	800	1,830	1,030
Miscellaneous	<u>62,000</u>	<u>102,046</u>	<u>40,046</u>
<b>TOTAL REVENUES</b>	<u>3,114,562</u>	<u>3,293,420</u>	<u>178,858</u>
<b>EXPENDITURES:</b>			
Personal services	1,270,933	1,210,772	60,161
Materials and services	1,383,117	1,176,674	206,443
Capital outlay	109,857	72,645	37,212
Contingency	<u>392,352</u>	<u>-</u>	<u>392,352</u>
<b>TOTAL EXPENDITURES</b>	<u>3,156,259</u>	<u>2,460,091</u>	<u>696,168</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(41,697)	833,329	875,026
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out	<u>(488,288)</u>	<u>(486,117)</u>	<u>2,171</u>
<b>NET CHANGE IN FUND BALANCE</b>	(529,985)	347,212	877,197
<b>FUND BALANCE, beginning of year</b>	<u>529,985</u>	<u>565,746</u>	<u>35,761</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 912,958</u>	<u>\$ 912,958</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**SEWER CAPITAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
System development charges	\$ 158,735	\$ 323,464	\$ 164,729
Interest on investments	6,500	11,898	5,398
<b>TOTAL REVENUES</b>	<u>165,235</u>	<u>335,362</u>	<u>170,127</u>
<b>EXPENDITURES:</b>			
Capital outlay	1,613,864	381,864	1,232,000
Debt service	300,000	-	300,000
<b>TOTAL EXPENDITURES</b>	<u>1,913,864</u>	<u>381,864</u>	<u>1,532,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,748,629)</u>	<u>(46,502)</u>	<u>1,702,127</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	303,250	303,250	-
Transfers out	(50,000)	(50,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>253,250</u>	<u>253,250</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,495,379)</u>	<u>206,748</u>	<u>1,702,127</u>
<b>FUND BALANCE, beginning of year</b>	<u>1,495,379</u>	<u>1,777,217</u>	<u>281,838</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 1,983,965</u>	<u>\$ 1,983,965</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**SEWER BOND FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Property taxes	\$ 1,310,500	\$ 1,320,101	\$ 9,601
Interest on investments	2,800	4,317	1,517
<b>TOTAL REVENUES</b>	<u>1,313,300</u>	<u>1,324,418</u>	<u>11,118</u>
<b>EXPENDITURES:</b>			
Debt service	<u>1,680,321</u>	<u>1,424,758</u>	<u>255,563</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(367,021)</u>	<u>(100,340)</u>	<u>266,681</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(317,021)	(50,340)	266,681
<b>FUND BALANCE, beginning of year</b>	<u>317,021</u>	<u>360,330</u>	<u>43,309</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 309,990</u>	<u>\$ 309,990</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE TO CHANGES IN FUND NET POSITION - SEWER FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Revenues	Expenditures	Revenues Over (Under) Expenditures
<b>BUDGETARY BASIS REVENUES AND EXPENDITURES:</b>			
Sewer Fund	\$ 3,293,420	\$ 2,460,091	\$ 833,329
Sewer Capital Fund	335,362	381,864	(46,502)
Sewer Bond Fund	1,324,418	1,424,758	(100,340)
<b>TOTAL</b>	<b>\$ 4,953,200</b>	<b>\$ 4,266,713</b>	<b>686,487</b>
 <b>ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:</b>			
Depreciation			(1,495,781)
Capital asset additions			454,510
Capital contributions			532,399
Loss on sale of assets			(23,043)
Change in accrued interest payable			6,057
Change in accrued compensated absences			(542)
Change in other postemployment benefit obligation			(2,703)
Pension expense			(435,238)
Principal payments			941,910
Support services			(153,113)
Transfers out			(29,754)
 <b>CHANGES IN FUND NET POSITION - GAAP</b>			<b>\$ 481,189</b>



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**INTERNAL SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Charges for services	\$ 891,561	\$ 858,525	\$ (33,036)
<b>EXPENDITURES:</b>			
Vehicle maintenance	258,709	243,977	14,732
Information technology	635,801	585,733	50,068
Geographical information systems	129,252	111,240	18,012
<b>TOTAL EXPENDITURES</b>	<u>1,023,762</u>	<u>940,950</u>	<u>82,812</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(132,201)	(82,425)	49,776
<b>FUND BALANCE</b> , beginning of year	<u>132,201</u>	<u>133,196</u>	<u>995</u>
<b>FUND BALANCE</b> , end of year	<u>\$ -</u>	<u>\$ 50,771</u>	<u>\$ 50,771</u>
Change in fund balance - budgetary basis		\$ (82,425)	
Depreciation		(30,116)	
Pension expense		(155,923)	
Capital asset additions		<u>95,274</u>	
Change in fund balance - GAAP basis		<u>\$ (173,190)</u>	

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**COMBINING BALANCE SHEET**

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Agate Beach Closure</u>	<u>Unbonded Assessments</u>	<u>The Villages of Cascade Head</u>	<u>Open Space Maintenance</u>	<u>Totals</u>
<b>ASSETS:</b>						
Cash and investments	\$ 6,823,719	\$ 697,423	\$ 225,432	\$ 81,932	\$ 44,389	\$ 7,872,895
Cash with County Treasurer	51,081	-	-	-	-	51,081
Receivables	1,180,816	-	512,260	-	-	1,693,076
Prepaid items	1,462	-	-	-	-	1,462
Advance to other funds	-	-	82,495	-	-	82,495
Assets held for sale	1,393,665	-	-	-	-	1,393,665
<b>TOTAL ASSETS</b>	<b>\$ 9,450,743</b>	<b>\$ 697,423</b>	<b>\$ 820,187</b>	<b>\$ 81,932</b>	<b>\$ 44,389</b>	<b>\$ 11,094,674</b>
<b>LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 144,412	\$ 4,753	\$ 24,156	\$ -	\$ 56	\$ 173,377
Other accrued liabilities	656,355	-	-	-	-	656,355
<b>TOTAL LIABILITIES</b>	<b>800,767</b>	<b>4,753</b>	<b>24,156</b>	<b>-</b>	<b>56</b>	<b>829,732</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>						
Unavailable revenue	590,619	-	512,260	-	-	1,102,879
<b>FUND BALANCES:</b>						
Nonspendable in form	1,395,127	-	82,495	-	-	1,477,622
Restricted for:						
Post-closure landfill costs	-	692,670	-	-	-	692,670
Committed to:						
Capital projects	-	-	201,276	-	-	201,276
Unassigned	6,664,230	-	-	81,932	44,333	6,790,495
<b>TOTAL FUND BALANCES</b>	<b>8,059,357</b>	<b>692,670</b>	<b>283,771</b>	<b>81,932</b>	<b>44,333</b>	<b>9,162,063</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 9,450,743</b>	<b>\$ 697,423</b>	<b>\$ 820,187</b>	<b>\$ 81,932</b>	<b>\$ 44,389</b>	<b>\$ 11,094,674</b>

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE**

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	General	Agate Beach Closure	Unbonded Assessments	The Villages of Cascade Head	Open Space Maintenance	Totals
<b>REVENUES:</b>						
Property taxes	\$ 6,221,094	\$ -	\$ -	\$ -	\$ -	\$ 6,221,094
Franchise fees	1,007,002	-	-	-	-	1,007,002
Transient room tax	1,423,506	-	-	-	-	1,423,506
Fees, licenses and permits	659,823	-	-	-	-	659,823
Fines and forfeitures	154,811	-	-	-	-	154,811
Charges for services	500,454	-	-	-	-	500,454
Intergovernmental	570,672	-	-	-	1,027	571,699
Interest on investments	40,740	-	3,027	1,041	254	45,062
Miscellaneous	996,873	-	4,225	-	50,743	1,051,841
<b>TOTAL REVENUES</b>	<b>11,574,975</b>	<b>-</b>	<b>7,252</b>	<b>1,041</b>	<b>52,024</b>	<b>11,635,292</b>
<b>EXPENDITURES:</b>						
Current						
General government	2,861,198	16,955	-	-	-	2,878,153
Public safety	4,285,240	-	-	-	-	4,285,240
Culture and recreation	1,810,080	-	-	3,547	87,516	1,901,143
Capital outlay	262,688	-	447,884	17,486	-	728,058
<b>TOTAL EXPENDITURES</b>	<b>9,219,206</b>	<b>16,955</b>	<b>447,884</b>	<b>21,033</b>	<b>87,516</b>	<b>9,792,594</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,355,769</b>	<b>(16,955)</b>	<b>(440,632)</b>	<b>(19,992)</b>	<b>(35,492)</b>	<b>1,842,698</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of capital assets	5,819	-	-	-	-	5,819
Transfers in	-	-	40,891	15,000	50,000	105,891
Transfers out	(545,000)	-	-	-	-	(545,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(539,181)</b>	<b>-</b>	<b>40,891</b>	<b>15,000</b>	<b>50,000</b>	<b>(433,290)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,816,588</b>	<b>(16,955)</b>	<b>(399,741)</b>	<b>(4,992)</b>	<b>14,508</b>	<b>1,409,408</b>
<b>FUND BALANCE, beginning of year</b>	<b>6,242,769</b>	<b>709,625</b>	<b>683,512</b>	<b>86,924</b>	<b>29,825</b>	<b>7,752,655</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 8,059,357</b>	<b>\$ 692,670</b>	<b>\$ 283,771</b>	<b>\$ 81,932</b>	<b>\$ 44,333</b>	<b>\$ 9,162,063</b>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**AGATE BEACH CLOSURE FUND**

**SCHEDULE OF EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>			
Materials and services	<u>\$ 40,000</u>	<u>\$ 16,955</u>	<u>\$ 23,045</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	<u>(40,000)</u>	<u>(16,955)</u>	<u>23,045</u>
<b>FUND BALANCE, beginning of year</b>	<u>714,286</u>	<u>709,625</u>	<u>(4,661)</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 674,286</u></u>	<u><u>\$ 692,670</u></u>	<u><u>\$ 18,384</u></u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**UNBONDED ASSESSMENTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Interest	\$ 1,000	\$ 3,027	\$ 2,027
Miscellaneous	12,000	4,225	(7,775)
<b>TOTAL REVENUES</b>	<u>13,000</u>	<u>7,252</u>	<u>(5,748)</u>
<b>EXPENDITURES:</b>			
Capital outlay	643,730	447,884	195,846
<b>TOTAL EXPENDITURES</b>	<u>643,730</u>	<u>447,884</u>	<u>195,846</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(630,730)</u>	<u>(440,632)</u>	<u>190,098</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	123,441	123,441	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>123,441</u>	<u>123,441</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(507,289)</u>	<u>(317,191)</u>	<u>190,098</u>
<b>FUND BALANCE, beginning of year</b>	<u>507,289</u>	<u>518,467</u>	<u>11,178</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 201,276</u>	<u>\$ 201,276</u>
Fund balance - budgetary basis		\$ 201,276	
Advance to other funds		<u>82,495</u>	
Fund balance - GAAP basis		<u>\$ 283,771</u>	
Change in fund balance - budgetary basis		\$ (317,191)	
Repayment of advance reported as reduction in receivable		<u>(82,550)</u>	
Change in fund balance - GAAP basis		<u>\$ (399,741)</u>	

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**THE VILLAGES OF CASCADE HEAD**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest on investments	<u>\$ 200</u>	<u>\$ 1,041</u>	<u>\$ 841</u>
<b>EXPENDITURES:</b>			
Materials and services	42,500	3,547	38,953
Capital outlay	<u>53,008</u>	<u>17,486</u>	<u>35,522</u>
<b>TOTAL EXPENDITURES</b>	<u>95,508</u>	<u>21,033</u>	<u>74,475</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(95,308)	(19,992)	75,316
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(80,308)	(4,992)	75,316
<b>FUND BALANCE, beginning of year</b>	<u>80,308</u>	<u>86,924</u>	<u>6,616</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ 81,932</u>	<u>\$ 81,932</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**OPEN SPACE MAINTENANCE**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 1,027	\$ 1,027
Interest on investments	75	75	254	179
Miscellaneous	44,620	50,620	50,743	123
<b>TOTAL REVENUES</b>	<b>44,695</b>	<b>50,695</b>	<b>52,024</b>	<b>1,329</b>
<b>EXPENDITURES:</b>				
Personal services	45,269	55,269	53,911	1,358
Materials and services	33,580	39,580	33,605	5,975
Capital outlay	12,300	6,300	-	6,300
Contingency	36,009	32,009	-	32,009
<b>TOTAL EXPENDITURES</b>	<b>127,158</b>	<b>133,158</b>	<b>87,516</b>	<b>45,642</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(82,463)</b>	<b>(82,463)</b>	<b>(35,492)</b>	<b>46,971</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	50,000	50,000	50,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(32,463)</b>	<b>(32,463)</b>	<b>14,508</b>	<b>46,971</b>
<b>FUND BALANCE, beginning of year</b>	<b>32,463</b>	<b>32,463</b>	<b>29,825</b>	<b>(2,638)</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,333</b>	<b>\$ 44,333</b>

## **AGENCY FUNDS**

### **Recreation Scholarship**

*Donations received but not yet used for financial assistance with recreation programs for those in need.*

### **Miscellaneous Trust**

*Miscellaneous funds held in trust – binocular receipts, engineering deposits, etc.*

### **Roads End Sanitary District**

*Fees assessed to Roads End on behalf of the Roads End Sanitary District.*

### **Recreation Trust**

*Donations received for recreation projects, such as a skateboard park or rock wall.*



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**AGENCY FUNDS**

**COMBINING STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2016**

	<u>Recreation Scholarship</u>	<u>Miscellaneous Trust</u>	<u>Roads End Sanitary District</u>	<u>Recreation Trust</u>	<u>Total</u>
<b>ASSETS:</b>					
Cash and investments	<u>\$ 5,552</u>	<u>\$ 1,473</u>	<u>\$ 27,233</u>	<u>\$ 1,028</u>	<u>\$ 35,286</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ -	\$ 7,865	\$ -	\$ 7,865
Funds held in trust	<u>5,552</u>	<u>1,473</u>	<u>19,368</u>	<u>1,028</u>	<u>27,421</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 5,552</u>	<u>\$ 1,473</u>	<u>\$ 27,233</u>	<u>\$ 1,028</u>	<u>\$ 35,286</u>

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**AGENCY FUNDS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balances</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2016</u>
<b>RECREATION SCHOLARSHIP:</b>				
Assets				
Cash and investments	\$ 3,551	\$ 2,001	\$ -	\$ 5,552
Liabilities				
Funds held in trust	\$ 3,551	\$ 2,001	\$ -	\$ 5,552
<b>MISCELLANEOUS TRUST:</b>				
Assets				
Cash and investments	\$ 1,473	\$ -	\$ -	\$ 1,473
Liabilities				
Accounts payable	\$ 242	\$ -	\$ 242	\$ -
Funds held in trust	1,231	242	-	1,473
Total liabilities	\$ 1,473	\$ 242	\$ 242	\$ 1,473
<b>ROADS END SANITARY DISTRICT:</b>				
Assets				
Cash and investments	\$ 29,477	\$ -	\$ 2,244	\$ 27,233
Liabilities				
Accounts payable	\$ 12,944	\$ -	\$ 5,079	\$ 7,865
Funds held in trust	16,533	2,835	-	19,368
Total liabilities	\$ 29,477	\$ 2,835	\$ 5,079	\$ 27,233
<b>RECREATION TRUST:</b>				
Assets				
Cash and investments	\$ 1,022	\$ 6	\$ -	\$ 1,028
Liabilities				
Funds held in trust	\$ 1,022	\$ 6	\$ -	\$ 1,028

**ADDITIONAL SCHEDULES**

**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**PROPERTY TAX SCHEDULE**

**YEAR ENDED JUNE 30, 2016**

	Tax Year	Uncollected June 30, 2015	Levy as Extended by Assessor	Adjustments Discounts and Interest	Collections	Uncollected June 30, 2016
Current	2015-2016	\$ -	\$ 8,381,987	\$ (214,120)	\$ (7,863,691)	\$ 304,176
Prior	2014-2015	290,331	-	4,098	(130,910)	163,519
	2013-2014	201,416	-	8,023	(72,496)	136,943
	2012-2013	135,734	-	15,302	(87,402)	63,634
	2011-2012	56,028	-	5,894	(32,896)	29,026
	and prior	53,960	-	1,026	(10,532)	44,454
Total prior		737,469	-	34,343	(334,236)	437,576
Totals		\$ 737,469	\$ 8,381,987	\$ (179,777)	\$ (8,197,927)	\$ 741,752

## ANNUAL DISCLOSURE INFORMATION

**\$2,209,800**  
**City of Lincoln City**  
**General Obligation Bonds**  
**Series 2015 Refunding**

**\$9,885,000**  
**City of Lincoln City**  
**General Obligation Bonds**  
**Series 2013 Refunding**

*In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, ~240.15c212), the City is providing annually the information presented in this section to all NRMSIRs and SIDs, if any.*

### BASIS OF ACCOUNTING

The City's governmental fund types are maintained on the modified accrual basis of accounting. The enterprise fund types are accounted for using the accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles.

FISCAL YEAR: July 1 to June 30

The Oregon Municipal Audit Law (ORS 297.405 – 297.555) requires an audit to be made of the accounts and financial affairs of every municipal corporation at least once a year. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

The City's audits for fiscal years 2006-07 to 2008-09 were performed by Boldt, Carlisle & Smith, LLC, Salem, Oregon. The City's audits for 2009-10 to 2015-16 were performed by Talbot, Korvola & Warwick, LLP, Lake Oswego, Oregon. The auditors did not review the statistical tables which follow and offer no opinion regarding the statistical tables.

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**PROPERTY TAX INFORMATION**

**YEAR ENDED JUNE 30, 2016**

**Table 1 - Real Market Value of Taxable Property in City of Lincoln City (1) (2)**

<u>Fiscal Year</u>	<u>Real Market Value (RMV)(1)(2)</u>	<u>Percent Increase</u>	<u>Taxable Assessed Value (TAV)</u>	<u>Percent Increase</u>	<u>TAV as a Percent of RMV</u>
2006-07	\$ 1,682,610,403	39.51%	\$ 964,318,686	5.23%	57.31%
2007-08	2,050,417,570	21.86%	1,030,249,106	6.84%	50.25%
2008-09	2,217,401,456	8.14%	1,093,993,410	6.19%	49.34%
2009-10	2,091,318,252	-5.69%	1,152,078,610	5.31%	55.09%
2010-11	1,877,069,647	-10.24%	1,197,246,890	3.92%	63.78%
2011-12	1,738,085,538	-7.40%	1,225,532,150	2.36%	70.51%
2012-13	1,590,620,412	-8.48%	1,253,733,405	2.30%	78.82%
2013-14	1,810,020,147	13.79%	1,521,308,480	21.34%	84.05%
2014-15	1,793,476,477	-0.91%	1,555,329,561	2.24%	86.72%
2015-16	1,871,311,539	4.34%	1,607,592,253	3.36%	85.91%

(1) Total Real Market Values and Taxable Assessed Values include Urban Renewal Values and other offsets. Table 2 which follows, reflects Taxable Assessed Values which does not include Urban Renewal and other assets as calculated by the Lincoln County Assessor.

(2) Includes the annexation of Roads End on July 1, 2013

**Table 2 - Tax Collection Record**

<u>Fiscal Year</u>	<u>Taxable Assessed Value (3)(4)</u>	<u>Percent Change</u>	<u>Total Levy</u>	<u>Tax Rate Per \$1,000</u>	<u>Percent Collected Year of Levy</u>
2006-07	\$ 800,823,341	4.84%	\$ 3,283,078	4.0996%	94.46%
2007-08	857,181,131	7.04%	3,514,133	4.0996%	92.85%
2008-09	908,968,555	6.04%	3,726,410	4.0996%	92.95%
2009-10	959,653,655	5.58%	3,934,205	4.0996%	91.66%
2010-11	996,712,565	3.86%	4,086,178	4.0996%	92.08%
2011-12	1,019,912,885	2.33%	4,181,233	4.0996%	92.00%
2012-13	1,044,755,460	2.44%	4,283,079	4.0996%	92.78%
2013-14	1,311,973,295	25.58%	5,068,668	4.0996%	93.20%
2014-15	1,512,625,183	15.29%	6,049,977	4.0996%	93.81%
2015-16	1,563,039,653	3.33%	6,407,861	4.0996%	93.82%

(3) Excludes Urban Renewal and other Offsets.

(4) Includes the annexation of Roads End on July 1, 2013

Source: City of Lincoln City

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**CONSOLIDATED TAX RATES**

**YEAR ENDED JUNE 30, 2016**

The following table shows consolidated tax rates for two of many tax codes located within the City of Lincoln City.

**Table 3 -- 2015-16 Representative Consolidated Tax Rates for Tax Code Area 402 & 412 (1)**

<u>Area</u>	<u>Tax Rate for Operations (2)</u>	<u>Tax Rate for Bonds</u>	<u>Tax Rate Total</u>
Within the City of Lincoln City			
<b>Education</b>			
Lincoln County Unified School District	\$ 4.7732	\$ 0.7266	\$ 5.4998
Linn-Benton-Lincoln ESD	0.2965	-	0.2965
Oregon Coast Community College	0.1709	0.2602	0.4311
<b>Total Education</b>	<u>5.2406</u>	<u>0.9868</u>	<u>6.2274</u>
<b>Local Government</b>			
Lincoln County	2.7421	-	2.7421
Lincoln County Animal SVC	0.1070	-	0.1070
Lincoln County Extension	0.0439	-	0.0439
Lincoln County Transportation	0.0948	-	0.0948
City of Lincoln City	3.9860	0.8397	4.8257
Lincoln City Urban Renewal Agency	0.3895	-	0.3895
North Lincoln Fire & Rescue	0.8495	0.3080	1.1575
Devil Lake Water Improvement District	0.1226	-	0.1226
North Lincoln Hospital District	0.5041	-	0.5041
<b>Total Local Government</b>	<u>8.8395</u>	<u>1.1477</u>	<u>9.9872</u>
<b>Total Consolidated Tax Rate</b>	<u>\$ 14.0801</u>	<u>\$ 2.1345</u>	<u>\$ 16.2146</u>

(1) The 2015-16 Assessed Value to compute the tax rate of code area 402 & 412 is \$1,224,333,436 which is 76.16% of the total Assessed Value of the City.

(2) The Tax Rates for Operations are the combined Measure 50 permanent tax rates and local option levies which are then applied to the assessed Value adjusted for Urban Renewal to obtain the amount of taxes to be collected. These are not the Measure 5 tax rates which determine if there is "compression" and which are calculated using Real Market Value. Compression for 2015-16 was \$2.

Source: City of Lincoln City

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**OUTSTANDING OBLIGATIONS**

**YEAR ENDED JUNE 30, 2016**

	<u>Dated</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u> <u>as of 6/30/16</u>
<b>General Obligation Bonds</b>				
Series 2015 Sewer Refunding (2)	3/3/2015	6/1/2019	\$ 2,209,800	\$ 1,677,888
Series 2007 Water (3)	6/28/2007	12/1/2018	4,000,000	825,292
Series 2011 Sewer (4)	3/17/2011	3/1/2026	7,000,000	5,009,971
Series 2013 Sewer Refunding (2)	2/26/2013	6/1/2030	<u>9,885,000</u>	<u>9,750,000</u>
<b>Total General Obligation Bonds</b>			\$ 23,094,800	\$ 17,263,151
<b>Full Faith and Credit Borrowings</b>				
Series 2014 Water (1)	4/17/2014	4/1/2024	\$ 4,000,000	\$ 3,260,000
Series 2014 Urban Renewal Projects (5)	6/17/2014	6/1/2018	4,000,000	2,033,722
Contract Payable - Water Shed Purchase	6/14/2014	8/1/2018	<u>585,000</u>	<u>280,904</u>
<b>Total Full Faith and Credit-Backed</b>			\$ 8,585,000	\$ 5,574,626
<b>Total Borrowings</b>			\$ 31,679,800	\$ 22,837,777

(1) The City pays debt service on this bond from water system revenues.

(2) A portion of the 2005 Sewer Bonds were called with the 2013 Sewer Refunding Bonds. The City called the remaining 2005 Bonds on March 3, 2015

(3) The City has been paying debt service on this bond from revenues of the water system rather than from a tax levy.

(4) The City pays debt service on this bond from a combination of sewer system revenues, system development charges and a tax levy.

(5) The City pays debt service on this bond from tax increment revenues of the Urban Renewal Agency.

Source: City of Lincoln City



**CITY OF LINCOLN CITY**  
Lincoln City, Oregon

**SDC FUNDS IN ACCORDANCE WITH ORS 223.311**

**YEAR ENDED JUNE 30, 2016**

	Transportation Development Fund	Storm Drainage Development Fund	Parks System Development Charge Improvement Fund
<b>REVENUES:</b>			
System development charge - improvement	\$ 109,689	\$ 982	\$ 145,349
Motorcycle vehicle gas tax	-	-	4,998
Miscellaneous	-	-	1,051
Interest	2,548	529	1,814
<b>TOTAL REVENUES</b>	<u>112,237</u>	<u>1,511</u>	<u>153,212</u>
<b>EXPENDITURES:</b>			
Master plans	-	-	38,707
Head to Bay Trail	-	-	96,572
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>135,279</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	112,237	1,511	17,933
<b>BEGINNING FUND BALANCE</b>	<u>343,750</u>	<u>84,296</u>	<u>255,316</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 455,987</u>	<u>\$ 85,807</u>	<u>\$ 273,249</u>

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**WATER SDC FUNDS**

**YEAR ENDED JUNE 30, 2016**

	<u>Water Replacement Fund</u>	<u>Water SDC Reimbursement Fund</u>	<u>Water SDC Improvement Fund</u>	<u>Total</u>
<b>REVENUES:</b>				
System development charge	\$ -	\$ 79,568	\$ 81,517	\$ 161,085
TRF Water Operating Funds	150,000	-	-	
Interest	1,191	937	179	2,307
<b>TOTAL REVENUE</b>	<u>151,191</u>	<u>80,505</u>	<u>81,696</u>	<u>313,392</u>
<b>EXPENDITURES:</b>				
Water Master Plan	-	-	4,059	4,059
Debt service 2006 water bonds	-	-	100,000	100,000
Water System Construction	147,919	-	-	147,919
<b>TOTAL EXPENDITURES</b>	<u>147,919</u>	<u>-</u>	<u>104,059</u>	<u>251,978</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,272	80,505	(22,363)	61,414
<b>BEGINNING FUND BALANCE</b>	<u>157,955</u>	<u>103,443</u>	<u>54,232</u>	<u>315,630</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 161,227</u>	<u>\$ 183,948</u>	<u>\$ 31,869</u>	<u>\$ 377,044</u>

**CITY OF LINCOLN CITY**

Lincoln City, Oregon

**SEWER SDC FUNDS**

**YEAR ENDED JUNE 30, 2016**

	<u>Sewer Replacement Fund</u>	<u>Sewer SDC Reimbursement Fund</u>	<u>Sewer SDC Improvement Fund</u>	<u>Total</u>
<b>REVENUES:</b>				
System development charge	\$ -	\$ 120,237	\$ 203,227	\$ 323,464
Transfer from Sewer Operating Fund	100,000	-	203,250	303,250
Interest	4,758	640	6,500	11,898
<b>TOTAL REVENUE</b>	<u>104,758</u>	<u>120,877</u>	<u>412,977</u>	<u>638,612</u>
<b>EXPENDITURES:</b>				
Sewer System Telemetry	68,961	-	-	68,961
Sewer System Construction	12,347	-	-	12,347
Pump Station Upgrades	121,312	113,404	-	234,716
Sewer Master Plan	-	-	16,659	16,659
Bio-Solids	-	-	49,181	49,181
Transfer out - Debt service - Sewer Bonds	-	-	50,000	50,000
<b>TOTAL EXPENDITURES</b>	<u>202,620</u>	<u>113,404</u>	<u>115,840</u>	<u>431,864</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(97,862)	7,473	297,137	206,748
<b>BEGINNING FUND BALANCE</b>	<u>793,657</u>	<u>142,408</u>	<u>841,152</u>	<u>1,777,217</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 695,795</u>	<u>\$ 149,881</u>	<u>\$ 1,138,289</u>	<u>\$ 1,983,965</u>

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



Talbot, Korvola  
& Warwick, LLP

Certified Public Accountants  
& Consultants

*ACHIEVE MORE*

4800 Meadows Road, Suite 200  
Lake Oswego, Oregon 97035-4293

P 503.274.2849  
F 503.274.2853

www.tkw.com

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

Honorable Mayor and Members of the City Council  
City of Lincoln City  
Lincoln City, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2016, and have issued our report thereon dated December 21, 2016.

### COMPLIANCE

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Honorable Mayor and Members of the City Council  
City of Lincoln City

**COMPLIANCE (Continued)**

<b><u>Fund</u></b>	<b><u>Category / Dept</u></b>	<b><u>Amount</u></b>
Public Education and Government Access	Capital Outlay	\$20,846
Street Capital	Capital Outlay	195,570
Urban Renewal Property Rehabilitation Program	Materials and Services	9,437

**OAR 162-10-0230 INTERNAL CONTROL**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Deficiencies in internal control were communicated separately.

**RESTRICTIONS ON USE**

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

*Talbot, Kowala & Warwick LLP*

Lake Oswego, Oregon  
December 21, 2016